Germany *Why union members are defying their leaders* Page 26

Unemployment *To the top of the global agenda* Page 25

FT Traveller *Genoa and the spirit of Columbus* Separate section

Tomorrow's Weekend FT *New York Stock Exchange: 200 years of scams and crashes*

FINANCIAL TIMES

Friday May 15 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Serbs withdraw assets to avoid future sanctions

The Serbian authorities have been withdrawing assets from western banks, and from banks in Belgrade, the Serbian capital, in an attempt to circumvent further European Community sanctions. The EC has not drawn up any concrete measures to seize such assets, nor have central bankers received warnings or instructions to prepare for such a possibility.

Nevertheless, western bankers and diplomats said more than $1.5bn had been taken out of Belgrade over the past six months. Page 26

Furore over EC energy tax: The EC has faced a "violent assault from industrial lobbies and the Gulf countries, which even threatened to break off diplomatic relations" following the announcement of its energy tax, Mr Carlo Ripa de Meana, EC environment commissioner said. Earlier reports, Page 3

Satellite rescue: Intelsat was preparing to move its $157m telecommunications satellite into the required orbit after its rescue by astronauts from the shuttle Endeavour. Page 7

Libya 'to renounce terrorism': Libya has claimed it is renouncing terrorism but again refused to hand over two men accused by the US and Britain of responsibility for bombing a PanAm 747 over Scotland in 1988. Page 6

Lufthansa turns in DM386m loss: Lufthansa, the German national airline, made a pre-tax loss of DM386m ($234m) in the first quarter of 1992 and said it did not expect to end up in profit this year. Page 27

Protest by Sears, Roebuck investors: Two non-management motions put forward by shareholders at the annual meeting of Sears, Roebuck, the US retail and financial services group, attracted the support of more than 40 per cent of all votes cast. Page 27

Hanson profits fall 17%: Hanson, the Anglo-US conglomerate, reported a 17 per cent fall in pre-tax profits for the half year. Page 27

CIS leaders stay away from summit: Just six of the 11 heads of state of the Commonwealth of Independent States are expected at today's CIS summit in Tashkent. Page 2

Brussels accused of 'ageism': Michael Forsyth, new UK employment minister, has criticised the European Commission for not recruiting staff older than their mid-30s. Page 26

AWA chief quits: Stephen Walls, chief executive of Arjo Wiggins Appleton, the Anglo-French paper group, is leaving the company after losing a boardroom battle over strategy. Page 27

Partial reprieve for spotted owl

The US government has given only a partial reprieve to the Northern Spotted Owl (left), which has become a symbol of the conflict between employment and environmental protection. Washington has agreed to allow logging in a portion of the ancient Oregon forest that provides the bird's habitat and proposed sharp reductions in the areas set aside for the species. Page 7

Philippine poll count continues: Fidel Ramos, administration-backed candidate for president, holds a slim lead over Miriam Defensor Santiago as counting of votes from last Monday's general election continues. Page 6

Plan for Japan-UK cable link: A consortium of international investors, led by Nynex, the north-east US regional telephone group, is considering installing the world's longest undersea fibre optic telecommunications cable, costing $1bn and stretching from Britain to Japan. Page 4

Thomson incurs hefty deficit: Thomson, the Canadian-owned travel and publishing group, has blamed the continued *slump in advertising* in its north American and UK regional newspapers for a first-quarter net loss, of US$47m. Page 31

Farewell to femme fatale: Thousands of *friends, family members and admirers gathered* in Paris yesterday for the funeral of Marlene Dietrich, the German-born actress who died last week aged 90. She will be buried in Berlin.

Margarita's inventor dies: Carlos Herrera, a Mexican bar owner credited with mixing the first margarita, has died in California at the age of 90. His concoction of three parts white tequila, two parts Cointreau and one part fresh lemon juice, was named after actress Marjorie King.

STOCK MARKET INDICES

FT-SE 100:	2,594.7	(−25.6)
Yield	4.52	
FT-SE Eurotrack 100	1,178.98	(−7.93)
FT-A All Share	1,309.31	(−0.8%)
Nikkei	18,884.6	(+85.03)
New York lunchtime:		
Dow Jones Ind Ave	3,368.57	(−31.11)
S&P Composite	412.84	(−4.41)

US LUNCHTIME RATES

Federal Funds:	3 11/16%
3-mo Treas Bills: Yld	3.653%
Long Bond	101¼
Yield	7.882%

LONDON MONEY

3-mo Interbank	10%	(10 1/16%)
Liffe long gilt future:	Jun 98 7/32	(Jun 98 1/2)

NORTH SEA OIL (Argus)

Brent 15-day	$19.575	(19.7)

Gold

New York Comex	$338	(335.6)
London	$337	(335.3)

STERLING

New York lunchtime:		
$	1.82235	
London:		
$	1.822	(1.8135)
DM	2.9375	(2.9425)
FFr	9.87	(9.875)
SFr	2.6925	(2.71)
Y	237.5	(236.25)
£ Index	92.9	(93)

DOLLAR

New York lunchtime:		
DM	1.613	
FFr	5.416	
SFr	1.478	
Y	130.3	
London:		
DM	1.6125	(1.622)
FFr	5.4175	(5.445)
SFr	1.4775	(1.495)
Y	130.3	(130.25)
$ Index	63.5	(63.8)
Tokyo close Y 129.87		

Austria	Sch30	Hungary	Ft192	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3900	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk8.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Peso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 19,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Move threatens to send tremors through western commercial property markets

O&Y set for insolvency filing

By Robert Peston, Banking Correspondent

OLYMPIA & YORK Developments, the world's biggest property developer with debts of $12bn, was yesterday about to file for protection from its creditors under Canadian and US insolvency laws.

O&Y would be the biggest company to have made an insolvency filing. The move would send tremors through the North American and UK commercial property markets, which are already gripped by recession.

Senior bankers involved in the company's attempts to stave off collapse said yesterday that O&Y Developments, the parent company, is likely to file for protection under Canada's Companies' Creditors Arrangement Act (CCAA) to prevent groups of creditors from seizing assets.

Certain US subsidiaries may also file for similar protection under Chapter 11 legislation.

O&Y is likely to make the filing with the support of its main bank creditors, led by Citicorp of

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■ *O&Y ON THE BRINK:* Two full pages of reports and analysis

■ Lex .... Page 26

the US, Canadian Imperial Bank of Commerce and Hongkong and Shanghai Banking Corporation, in order to organise an orderly reconstruction of its business.

The aim would be to emerge from the protection of the courts after several months as a going concern.

Mr John Major, UK prime minister, the Canadian government, the Bank of England, and the Bank of Canada were all *informed earlier this week that* such moves were likely.

O&Y will try to keep Canary Wharf, the $5bn office development in London's Docklands, out of administration, under UK insolvency procedures, for the time being.

However, one banker said if the *parent company went for CCAA* protection, the 11 bank lenders to Canary Wharf, showpiece of UK government attempts to redevelop London's Docklands, may go for administration, though a decision may be left until next week.

Their decision will depend largely on whether the UK government takes office space at Canary Wharf for thousands of civil servants at a commercially acceptable rate.

O&Y's 100 bank creditors also face big losses on the $12bn they have lent to the company. However, bankers said they would have been forced to recognise *these losses whether or not the* company made an insolvency filing.

Mr Paul Reichmann, the publicity-shy founder of O&Y, will remain in charge of the business. He will continue to work with Mr *Steve Miller, the partner of* investment bank James D Wolfensohn who has been leading the negotiations with O&Y's 100 banks.

O&Y would hope the Canadian and US courts would give them protection from the demands of creditors for up to a year. In that *time, they would continue their* talks with 100 banks on a proposal to defer principal payments on $12bn of debt for five years and pay interest on $4bn of this in the form of new O&Y shares.

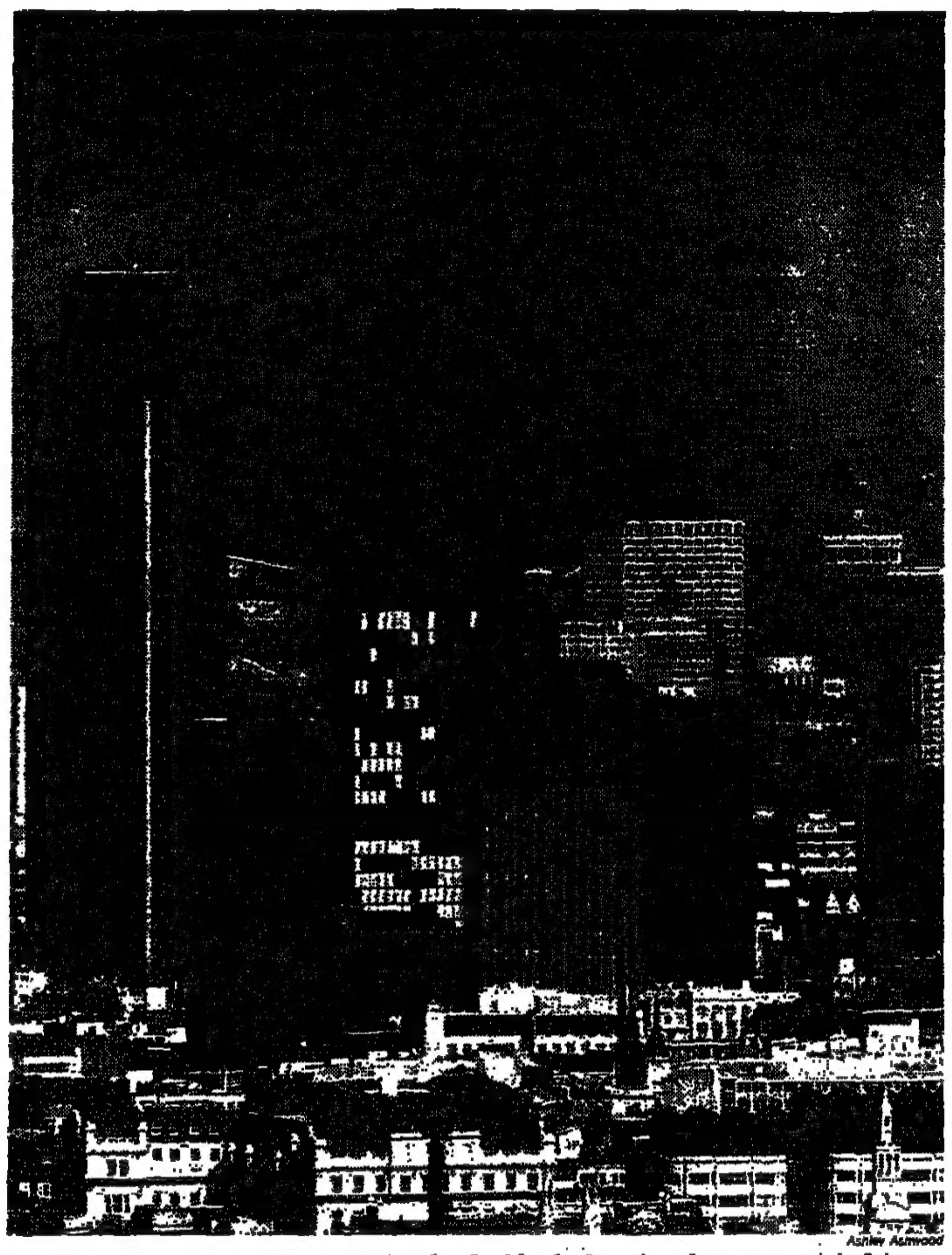
Bankers have decided O&Y should seek the protection of the Canadian and US courts because four different groups of creditors are threatening to seize assets *and upset the process of restruct*uring the debt as a whole. If these creditors attempt to obtain control of assets in an unco-ordinated way, other lenders to the company may suffer, O&Y and its bankers feel.

The latest blow to O&Y's attempts to keep such creditors at bay was a ruling yesterday in the UK High Court that $240m owed by O&Y to the US investment bank Morgan Stanley is payable immediately. The debt relates to an agreement made in 1990 between O&Y and Morgan by which the property developer agreed to purchase a long leasehold on Morgan's offices at Canary Wharf.

Although the agreement was between Morgan and one of O&Y's UK subsidiaries, called Rochmoor, the liability does not fall on the other Canary Wharf companies but on the parent in Canada. O&Y will decide before Wednesday whether to appeal.

O&Y's Canadian operations are *also facing demands* for an immediate payment of C$17m in interest from holders of C$325m of bonds. The bondholders met yesterday in Toronto.

Meanwhile a syndicate of eight banks led by JP Morgan, the US commercial bank, is foreclosing on a $160m loan secured on a *New York property.*



Ashley Ashwood

Troubled tower: Canary Wharf, right, London Docklands showpiece, has an uncertain future

Dilemma over future of rail line

By Philip Stephens, Political Editor

UK government *ministers* insisted last night that they would hold the *subsequent* owners of Canary Wharf to an agreement to contribute £400m ($708m) towards the planned extension of the Jubilee Line underground route if Olympia & York collapses.

But amid clear disquiet about the severe *blow it would deliver* to the future of the Docklands area, the ministers accepted that the government would face intense political pressure to inject more public money into the area in east London to sustain confidence.

With O&Y seeking protection from its creditors, the government would face an acute dilemma over whether it was prepared to scrap the rail scheme if the banks refused to meet, or sought to scale down, the contribution agreed by the developer.

Officials predicted a vigorous cabinet debate before the government agreed on its approach. Mr Michael Heseltine, trade and industry secretary, could be expected to lead calls for an active role in preserving confidence.

Last year Mr Heseltine fought *successfully for the routing of the* Channel rail link through east London to help spur development of the East Thames corridor beyond Docklands. But the officials said he would face fierce opposition from the Treasury to any increase in *direct or indirect* spending to support Canary *Wharf.*

Downing Street said Mr John Major, UK prime minister, was being kept closely in touch with the progress of negotiations between O&Y and the banks. If the property group filed for bankruptcy, his first priority would be to limit the political damage but also to minimise any *immediate* commitments until the future of Canary Wharf became clearer.

There was little surprise at the *suggestion* that negotiations involving O&Y might collapse, but there was acknowledgement in Whitehall that the demise of the *developer would mark a* severe setback for the government's ambitions for the area.

Ministers said two government departments were still in negotiations about moving civil servants to Canary Wharf. But so far the package offered by O&Y *had not satisfied a pledge by Mr* Michael Howard, UK environment secretary, that any decision would be made on a strictly commercial basis.

Bonn rejects further pay talks

By Quentin Peel in Bonn

THE GERMAN government yesterday rejected any move to reopen pay talks after public sector workers rejected a pay deal agreed by their *leaders last week.*

A ballot among the 450,000 union members of the ÖTV, the largest and most militant public sector union, showed just 44.1 per cent in favour of the 5.4 per cent pay deal.

Mr Rudolf Seiters, the interior minister and leader of the employers' side in the *talks*, said the ballot result reflected the "completely unrealistic expectations" aroused by the union's 9.5 per cent pay claim. He said: "No one can expect the negotiations to be reopened."

The result leaves the ÖTV leadership in disarray. Although it is unlikely to lead to further strike action in the public sector, the *vote could stoke militancy among* 4m engineering workers who are preparing for strike action.

Mr Klaus Murmann, president of the German employers' association, issued a warning that engineering workers taking action would face "lock-outs on an unprecedented scale".

The last formal negotiations in the engineers' dispute, between employers and unions in North Rhine-Westphalia, were called off last night before they began, after the unions declared there was no point in attending. Three regions have called strike ballots for next week and strike action is expected to start on May 25.

Industrial relations turmoil in *the country, fuelled* by resentment over rising taxation, inflation running at 4.6 per cent, and the cost of German unification, continued to spread yesterday.

Textile workers have called a meeting for Monday to decide on possible strike action. Arbitration for print workers will begin on May 21, but *token strikes* are already taking their toll of newspaper production.

The confusion over the public sector pay award is expected to stoke militancy among members of IG Metall, the large engineering workers' union, convincing the union leadership of the dangers *of accepting* too low a deal.

However, the union has lost

Continued on Page 26
Revolt of low-paid, Page 26

Civil unrest in US dents preference ratings for Bush

By Jurek Martin, US Editor, in Washington

CONFIDENCE in President George Bush's ability to manage the severe urban problems of the US is being eroded to the point where it could jeopardise his bid *for re-election.*

The message of several recent public opinion polls, including one in the Washington Post yesterday, is that the administration's attempt to blame inner city unrest on the liberal Democratic programmes of the 1960s *is falling* on deaf ears.

The Post *survey* found 55 per cent ascribing the principal blame to the perceived policies of urban neglect practised by the Reagan and Bush administrations. Two-thirds thought a new approach to urban issues was required, and there was widespread doubt about Mr Bush's ability *to produce one.*

Governor Bill Clinton of Arkansas, *the presumptive Democratic* candidate, scored higher than the president as a man more able to to deal with problems of race relations, poverty and the cities. Mr Ross Perot, the main prospective independent candidate, outscored both as the man more likely to improve the economy and unemployment, with Mr Bush last in both categories. This did *not much change the national* balance of current preferences among the three, which remains almost even. Mr Bush was given 33 per cent, Mr Clinton 29 per cent and Mr Perot 28 per cent, compared with a 36:31:30 split in *the Post's April survey.*

The Bush campaign had nakedly hoped that the Perot boom would relegate Mr Clinton to third place, thus embarrassing the Democrats. The evidence is that he is drawing from Mr Bush's *core support as much as* from Mr Clinton's and, in the south-west and west, probably more from the president.

Mr Bush's apparent inability to establish leadership concerns his campaign managers. This explains why he is now spending much time in deprived urban districts, *including one in Washing*ton yesterday. But these tours to places *he rarely used to visit* are being widely *dismissed* as little *more* than "photo opportunities".

His administration continues to dribble out announcements that extra federal funds are being earmarked to repair the destruction in Los Angeles. Even so, the gap between funding and urban demands is growing. The US con-

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CONTENTS

NEWS: EUROPE

Pöhl accuses Bonn of risking D-Mark

By Andrew Fisher in Frankfurt

THE FORMER Bundesbank president, Mr Karl Otto Pöhl, has stoked up fresh controversy about Chancellor Helmut Kohl's economic policies – just at the time when Germany is coming under increasing pressure from strikes and rising budget deficits.

In a book on the Bundesbank written by a German journalist, Mr Pöhl is quoted as criticising the Bonn government for allegedly putting the D-Mark at risk over its policies towards east Germany. He also complains that the chancellor made too many concessions over European monetary union at the Maastricht summit last December.

Mr Pöhl's comments in the book were made in conversation with the author, Mr Dieter Balkhausen, a business journalist with Germany's second television channel, rather than in a formal interview. There is no doubt, however, that the acerbic remarks ascribed to Mr Pöhl fully reflect his bitterness about Mr Kohl's handling of German unification and European monetary union.

Since Mr Pöhl resigned from the Bundesbank at the end of last July, he has avoided commenting publicly on economic policy, partly to avoid embarrassing the government and the Bundesbank.

In the book, Gutes Geld & schlechte Politik (Good Money and Bad Politics), Mr Pöhl is quoted as saying that at a cabinet meeting at the end of 1990 he pleaded for a change of course to prevent state finances and inflation from running out of control.

"But what followed was shameful. Neither were the necessary savings put into motion, nor did the impossibly costly promises diminish." Instead, "the amount of the expensive pledges and announcements increased."

Mr Pöhl makes clear that dissatisfaction with the government was an important reason for his surprise resignation last year.

He is unhappy about the agreement at Maastricht on future economic and currency union in the EC, while political union had still to be agreed. "This is another crash course à la GDR [East Germany] that only the rich brother can make possible," he says.

He points to the huge costs of adjusting living standards in Europe and says this cannot be done in a decade. (At Maastricht, it was agreed that currency union would be introduced around the turn of the century for countries meeting certain economic criteria.)

"A common currency only makes sense when economic, tax, finance, and social policies are really interlinked," he says. Thus his verdict on the events of the past two years is: "Viewed historically, good times, but the risks are so large that it would almost be a miracle if the D-Mark didn't fall into a severe crisis."

Mr Pöhl charges that Mr Kohl, Mr Theo Waigel, the finance minister, and other politicians agreed to too generous an exchange rate for the old East German Mark for the German currency union of July 1990. The Bundesbank, which had recommended a rather less favourable rate for the east Germans, agreed to the government's wishes under political pressure, Mr Pöhl says.

"The vote of the Bundesbank was misused to stimulate expectations in the GDR and thus improve election chances. But the east German economy could never keep up from the start."

As for his decision to resign, Mr Pöhl, now a partner in the Cologne-based private bank of Sal. Oppenheim, says he probably should have gone in February 1990, when the government proposed German currency union without consulting the Bundesbank – mainly in response to the rising numbers of people crossing the former border to the west.

He says that neither Mr Kohl nor other top coalition politicians pressed him to stay. "They must have thought 'one influential warning voice fewer'."

Only President Richard von Weizsäcker urged him to remain in office.

UK aims at compromise over European forces

By David White, Defence Correspondent

BRITAIN outlined proposals last night for military forces to come under the authority of the Western European Union. It accepted for the first time that the controversial joint corps planned by France and Germany might be among the forces made available to the WEU.

Mr Malcolm Rifkind, defence secretary, insisted however that Nato should have first call on troops in the event of a crisis.

He said he hoped WEU ministers would reach a consensus at a meeting in Germany on June 19. But it was unclear yesterday whether the UK proposals, expected to be welcomed by Washington because of their emphasis on Nato ties, can form the basis of a compromise.

The row over how Europe should move towards forming its own military capability has been brewing for the past year, after Nato drew up plans for a British-led rapid reaction corps and France and Germany countered with proposals for a joint corps under separate command. The Franco-German plan bewildered both the US and Britain, which saw it as competing with Nato.

President François Mitterrand and Chancellor Helmut Kohl are to finalise plans for the corps next week. The 35,000-strong corps is due to be in place in October 1995.

Mr Rifkind said the corps, which Bonn and Paris have invited other WEU members to join, could be among forces made available to the WEU. These might also include the current UK/Netherlands Amphibious Force and the new air mobile division which Britain, Germany, the Netherlands and Belgium are setting up as part of the Nato's rapid reaction forces.

UK officials made clear no British troops would be assigned to the Franco-German corps.

Mr Rifkind said command of European forces in cases where Nato was not involved would come under the WEU's council of ministers, and a special planning cell would draw up contingency plans. But he opposed setting up standing WEU forces or a command structure in parallel with Nato's.

In a lecture to the Centre for Defence Studies in London, Mr Rifkind made an apparent concession by accepting that the WEU might use forces in certain circumstances within Europe. But this would only happen when Nato chose not to be engaged, for instance in humanitarian operations.

Bonn has assured Britain that German troops in the Franco-German corps will remain assigned to Nato. French forces are outside Nato's military structure, but arrangements are envisaged for the whole corps to come under Nato operational command in the event of a war in Europe.

Latvia issues parallel rouble

Philippe Legrain and **Anthony Robinson** look at the 'suicide' steps being taken to cope with currency shortages in the Baltic states

IN A move which the International Monetary Fund calls "economic suicide", Latvia has issued its own parallel currency and other Baltic states are taking similar measures to ease the rouble shortage afflicting the former Soviet republics.

Raging inflation has led to an acute cash shortfall which the Russian financial authorities – who consider the independent Baltic states as debtor nations – have refused to meet. As a result the payment of wages and pensions is often delayed for months, strengthening the pressure on Baltic governments to replace the hated "occupation rouble".

Latvia responded on May 7 by issuing a transitional currency, the "Latvian rouble", which is legal tender on its territory together with the Russian rouble. Lithuania has made a similar limited step, decreeing that its "Vagnorky coupons" are to serve as rouble substitutes. Estonia has printed its own money, the kroon, but has decided not to issue it for the time being.

The convertibility of the new currencies is strictly limited. They will be used for public-sector wages and payments, but it will be hard to force the private sector to accept them. "What happens when I pay a 25 rouble restaurant bill with a 200 Vagnorky note?" asked a Lithuanian official. "I doubt I will get 175 roubles change." Latvian citizens have already dubbed their new currency "white" money.

The IMF, which is supporting Russian moves to make the rouble convertible and the linchpin of the entire "rouble zone", has warned that the new currencies will be even more vulnerable to inflation than the Russian rouble. It warned that for the smaller, energy-dependent republics like the Baltics to create their own currencies now would be "economic suicide", says Bank of Latvia president Einars Repse.

In its recent reports on the Baltic republics, the IMF said the short-term economic outlook was "bleak" in Latvia and Lithuania and "precarious" in Estonia, whose GDP could shrink by over 20 per cent this year.

The Fund has warned that the introduction of new and largely inconvertible currencies would only deepen the slump as trade with the rest of the former Soviet Union, which accounts for over 90 per cent of the total trade of the Baltic states, is further disrupted.

The Baltic moves towards currency reform are motivated by political as much as economic factors. The governments of all three Baltic states are in crisis, facing economic depression, potential ethnic conflicts between their native populations and over 2m ethnic Russians, and continuing occupation by former Soviet troops.

In Latvia, parliament is increasingly critical of the government headed by Mr Ivars Godmanis, made up largely of former communists. The government could fall if the Latvian rouble is driven out of circulation by the Russian rouble.

The Lithuanian government staggers on, although half its ministers resigned at the end of April, while a whiff of scandal surrounds the Bank of Lithuania's preparations for the new currency, the litas. President Vytautas Landsbergis is expected to call new elections if he wins a popular mandate from a referendum on an executive presidency on May 23.

In Estonia, the ex-communist government, elected under Soviet law, is under fire from the rival Congress of Estonia, which represents the pre-war republic's citizens and their descendants. Daily pickets outside the parliament building have demanded the death of prominent ex-communists and called for immediate, independently-run general elections. But the top priority of all three governments is to ensure the speedy departure of the estimated 100,000 former Soviet troops on their territory. Russia says it lacks the funds or housing to relocate the troops and the latest round of talks ended in deadlock. The Baltics are counting on western pressure to put urgency into the troop withdrawals but thus far only the Scandinavian countries have come out openly in favour of the Baltic stance.

"These troops must go," Mr Mauno Koivisto, the Finnish president, said during his recent visit to Lithuania, in a statement which marked a shift from traditional Finnish reticence in dealing with the former Soviet Union.

Instead, Russia recently sent new troops into its Lithuanian bases, which led President Landsbergis to accuse Russia of "blatantly disregarding Lithuanian sovereignty". Repeated protests to General Valery Mironov, the local commander of CIS troops, have gone unanswered.

Latvia's mission to the UN meanwhile has accused Russia of repairing a Libyan submarine at Bolderaja dock near Riga in breach of international sanctions. The Russian Foreign Ministry claims the submarine will take three years to repair and pledged that it would not be returned to Libya while sanctions were in force, according to Mr Mihails Stepicevs of the Latvian parliament's commission on defence and internal affairs.

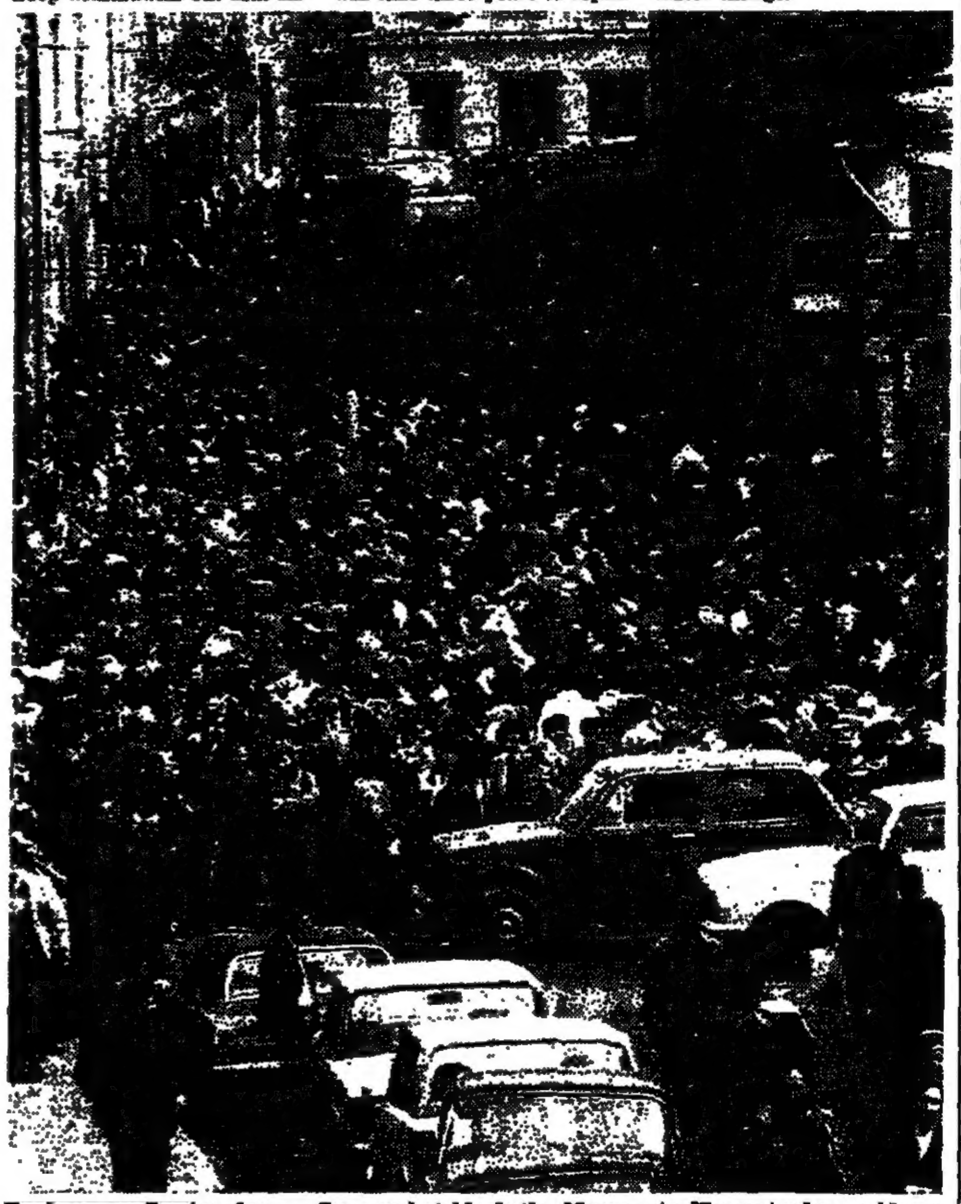
The combination of political, military and economic uncertainty is taking its toll of the reform process throughout the region. Only Lithuania has begun privatising state-owned enterprises, while prices have not yet been completely liberalised and a carousel of subsidies still protects the less well-off.

The old state monopolies try to squeeze the last drops out of the faltering Soviet supply system to keep shops full, although prices are very expensive for local wages and salaries. "The reform process is very slow and the instinctive reaction is still a communist one," said a western diplomat summing up the obstacles to faster change.

Visiting French President François Mitterrand yesterday called the continued presence of former Soviet troops in Lithuania "abnormal and shocking", Reuter reports from Vilnius.

Mr Mitterrand, the most senior western leader to visit the Baltic states since they regained independence from Moscow last August, told the Lithuanian parliament: "Fix a timetable, organise discussion, gain the support of the other democratic states of Europe and the solidarity of international conferences of free countries so that your freedom of decision and action can be fulfilled."

He said Lithuania's desire to join the European Community eventually was legitimate but added: "Let us not speed things up faster than is appropriate. Let us plan the [intervening] time."



Traders overflowing from a flea market block the Moscow traffic yesterday, evidence that capitalism is alive and well.

Mr Andrei Nechayev, the economics minister, said yesterday that the government still intended to make the rouble convertible at a rate of 60 to 80 to the dollar – in spite of doubts voiced by officials at the Russian Central Bank, writes John Lloyd in Moscow.

Mr Nechayev told the news agency Interfax that the rate was "fairly realistic", given the availability of a $6bn stabilisation fund provided by the IMF and the Group of Seven countries – though he admitted it would bring difficulties for importers and investors.

Mr Georgy Matiukhin, the chairman of the Central Bank and Mr Dmitri Tulin, the deputy chairman, have in the past few days poured cold water on the intention of the government to move to a fixed and internally convertible rouble by the autumn.

Timing the move towards fixing the rouble remains uncertain, given the doubts of the Central Bank – without whose co-operation it could not happen. The Central Bank will itself be in the dock next week, following a decision of the Russian parliament to examine its performance. Many deputies consider it has ceased to be responsive to the will of parliament, under whose jurisdiction it falls.

CIS tottering ahead of Tashkent summit

By John Lloyd in Moscow

A BARE majority of presidents of the Commonwealth of Independent States are are expected at today's CIS summit in Tashkent – an attendance which may foreshadow its disintegration. Five of the 11 heads of state have found more compelling reasons to stay away, and are sending lower-level delegations.

Moldova is attending to allow Mr Valery Muravsky, its prime minister, to present the Moldovan case on the conflict in the self-declared republic of TransDnestr.

Mr Nursultan Nazarbayev, the Kazakh leader, warned that the practice of "mutual threats" between the member states had now reached a "dead end" and said that many leaders preferred "autarchy" to co-operation.

Mr Boris Yeltsin, Russian president, was expected to arrive yesterday afternoon and the remaining five presidents who have said they will turn up – those of Armenia, Belarus, Kazakhstan, Turkmenistan and Uzbekistan – represent states which are most dependent on Russian resources and/or military protection.

The most important absentee will be President Leonid Kravchuk of Ukraine.

● Mr Ayaz Mutalibov, former president of Azerbaijan, was yesterday voted back into power by a large majority in the Azeri parliament. He was deposed by the same body two months ago after reverses in the fighting between Azeris and Armenians.

UK proclaims faith in Maastricht treaty

By Robert Mauthner, Diplomatic Editor

BRITAIN yesterday proclaimed its strong commitment to the Maastricht treaty providing for a European monetary and political union, while stressing that the treaty's objective was not to create a European "super-state".

In a forthright presentation of the UK's policy to the Konrad Adenauer Foundation in Bonn, Mr Tristan Garel-Jones, the British minister of state for European affairs, said the Treaty was both "good for the Community and for Britain in the Community". He added that the EC "can ill-afford months or years of institutional paralysis at a time when it has heavy responsibilities to shoulder".

At the same time, he was at pains to underline the distinction made in the treaty between the "core functions" of the Community's institutions and those areas, such as foreign policy, immigration and the fight against drugs, terrorism and crime, which remained subject to intergovernmental co-operation.

These were areas which went to the very heart of nationhood.

"The Europe we are building must be one which embraces and cherishes national identity as well as European vision," he said.

Business urged to act on Emu opt-out clause

By Robert Rice in Brussels

FT BUSINESS must take the lead in persuading the British government to sacrifice its opt-out clause on European monetary union, Mr Brian Garraway, deputy chairman of BAT Industries, said yesterday.

He told a joint FT-Lovell White Durrant conference on the impact of EC law and policy that, following the Conservative election victory, the government had the opportunity to assert leadership on European monetary union.

Business would benefit from monetary union through the disappearance of exchange rate variations between member states, and through the cost savings and efficiency benefits of not having to deal in separate currencies once a single currency was adopted, he said.

However, achieving the prize of monetary union was not just a matter of setting up a central banking system and meeting criteria for economic convergence. The transition would involve direct and indirect costs and upheaval.

"Governments face a massive job in getting the essential support among the public and business for a reform which is vital to the well-being and development of European industry," Mr Garraway said.

NEWS IN BRIEF

EC yields to Britain on border controls

By Andrew Hill in Brussels

BRITAIN yesterday persuaded its EC partners to water down a declaration on the abolition of frontier controls, so as not to prejudice its hardline position on the preservation of border-checks on people.

The declaration by internal market ministers outlines the measures which need to be taken to remove barriers to the free movement of goods after January 1 1993.

But Mr Richard Needham, minister for trade, insisted that the draft declaration should be amended to make clear the UK's opposition to the removal of checks on people crossing internal EC frontiers. For example, the text no longer refers to the member states giving priority to the abolition of "all border controls".

Spanish price rises ease

Spain's cost of living index rose just 0.2 per cent in April marking the first slowdown in inflationary pressure this year, writes Peter Bruce in Madrid. Year-on-year inflation fell from 6.9 to 6.5 per cent – the start, according to the Finance Ministry, of a gradual approach to its inflation estimate for the year of 5.8 per cent.

Insurance plan approved

The way was cleared yesterday for European Community composite insurers – which combine life and non-life insurance operations – to open branches throughout the EC after July 1994, Andrew Hill writes.

EC ministers agreed the third life assurance directive, although formal approval will have to wait until it has been passed by the European parliament. Earlier EC legislation restricted the rights of composite insurers – mainly British, Italian and Belgian – to establish themselves in other states.

Genoa hails Columbus

The bets are off whether Italy will have a president in time to cut the ribbon, but whoever performs the ceremony, the city of Genoa will today celebrate the opening of its bid to cash in on the Christopher Columbus industry, Haig Simonian writes from Genoa.

Genoa's most famous son left his native city for the court of Spain after failing to find sufficient financial backing at home for his expedition to the New World.

Latter-day Italian bureaucracy has meant Genoa's current attempt to mark its most celebrated mariner has also taken second place to Spain, with the international exhibition in Seville to mark the quincentenary of Columbus's discovery opening well ahead of its Genovese rival. But the Genovese, who have had around L700bn (£317m) of Italian government money to shower on their event, claim it is not competing with either Seville or Eurodisney, the main European crowd-pullers.

The result has been a worthy, if slightly dull, exhibition concentrating on the wider themes of "Christopher Columbus, ships and the sea" which is somewhat short on fun but long enough on architectural heritage and urban renovation.

The project, over four years in the making, was designed by Mr Renzo Piano, the Genovese architect best known for his part in designing Paris's Pompidou Centre.

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'Violent assault on carbon tax' irks di Meana

THE EC has faced a "violent assault from industrial lobbies and the Gulf countries, which even threatened to break off diplomatic relations" following the announcement of its energy tax, Mr Carlo Ripa di Meana, EC environment commissioner, said yesterday, agencies report.

Mr di Meana said the Commission would push ahead with a modified energy tax even if the US and Japan did not impose a similar levy to reduce global warming.

He spoke a day after proposing a tax on non-renewable energy sources, such as coal and oil, of $3 on the equivalent of a barrel of oil in 1993, rising to $10 by 2000.

This tax, he said on Wednesday, would be imposed only after the US and Japan agreed *to introduce similar measures.* However, a lower tax would be levied by the EC if other industrial countries failed to act.

Mr di Meana attributed intense US lobbying against the tax to efforts to make next month's UN environment conference a meaningless event.

"It is vital that Rio is not simply a media event [but yields] concrete decisions with binding obligations to achieve precise targets."

Mr di Meana complained about US lobbying. "Sometimes Big Brother's suggestions go too far," he said, hinting that US diplomats had tried to put undue pressure on him to kill the energy tax.

So far the only public reaction from oil-producing countries in the Middle East has come from the Organisation of Petroleum Exporting Countries (OPEC). Mr Subroto, the organisation's secretary-general, said yesterday he believed the tax would not be implemented because of opposition from the US.

On Wednesday, Mr Klaus *Töpfer, the German environment* minister criticized Mr Ripa de Meana for waiting for US and Japanese agreement before imposing the energy tax. He said he wanted Europe to "go it alone in introducing EC-wide carbon dioxide taxes."

Heavy pollution from an east German power station

Industry doubtful but resigned

By Our Industrial Staff

INDUSTRIAL reaction to the carbon tax proposal yesterday was mixed. Heavy consumers of energy winced at the added costs, but the majority adopted a resigned approach, expressing doubt that the impact would be as great as feared.

Many companies argued that the tax was misdirected. Greater energy savings could be achieved by, for example, *investing in measures to clean* up eastern Europe.

National Power, the UK electricity generator which is one of Europe's largest coal consumers, said it did not believe the proposal was either practical or appropriate. "There are other ways of achieving emission reduction targets," it said.

The airline industry emphasised that it had no alternative to jet fuel and that a carbon tax would inevitably be reflected in increased fares.

Airlines also stressed that civil aviation only accounts for about 2-3 per cent of total CO_2 emissions and that significant advances have been made in *fuel efficiency.*

British Airways, for whom fuel accounts for 12.5 per cent of costs, argued that revenues from such a tax should be used to help improve the infrastructure of civil aviation, especially air traffic control. The tax could encourage airlines to "tank" fuel outside the EC with the risk of increasing further CO_2 emissions.

Ford yesterday took a lead in proclaiming itself in favour of the EC proposals. "We have long supported the concept of a carbon tax as one of the most immediate and effective actions that can be taken in terms of environmental protection," it said.

On the face of it, however, the tax has to be bad news for the vehicle industry. Lower mileages as a result of costlier fuel could be expected to slow *the rate of vehicle replacement.* A trend to smaller, lighter vehicles would be accelerated, to the detriment of large, executive and luxury cars which traditionally provide their manufacturers with much more profit per unit.

However, Ford and other car makers have been indicating for some time that they regard both trends as long-term inevitabilities even without the CO_2 issue, as oil becomes an increasingly scarce commodity.

The freight transport industry believes a carbon tax at the level suggested will have little effect on fuel consumption. "Fuel costs are so high that economy is already a top priority," said the UK Freight Transport Association.

In the oil industry, some company executives said the tax would be impractical and unlikely to achieve its aims of reducing emissions. Shell, which has taken a high profile on environment issues, said it was too early to comment as the tax was being discussed.

Opposition from the US, Japan and the Gulf is intense

Tax may run into political sands

By Robert Thomson in Tokyo and David Lascelles in London

THE EC's proposal *on the* introduction of an energy and carbon tax could run into the sands over whether it remains conditional on the US and Japan adopting similar measures.

The Bush Administration is considered most unlikely to adopt a carbon tax. Aside from the fact that Mr Bush is fighting an election this year, his administration has staunchly resisted pressures for a fiscal solution to energy and environmental problems.

The US aversion to deadlines on emissions controls was highlighted by Mr Bush's earlier wavering on whether to attend the Rio Earth Summit. He made his attendance conditional on a redraft of the treaty on climate change to exclude *specific deadlines for emission* controls. The US is the only major industrial nation which has not adopted the year 2000 deadline to reduce emissions to 1990 levels.

Instead of taxes, the US strategy is based on a range of specific measures, such as tightening efficiency standards for equipment, and promoting energy efficiency audits.

The question, however, is whether the US can make progress *on these fronts* without an energy tax. Last week the Washington-based Institute for International Economics concluded taxation should form a key part of any strategy to combat global warming.

The Japanese government, keen to take a high political profile on environmental issues, was caught out of step by the Commission's approval of such a tax on Wednesday.

Debate is continuing within Japanese ministries over an energy tax, but two of the more powerful, the ministry of international trade and industry (Miti) and the ministry of transport, have generally opposed *a tax that would* increase fuel costs for industry.

Their concerns were reflected in Japanese delegates' insistence that the Tokyo Declaration, issued last month at a *UN-sponsored eminent persons'* meeting on the environment, contain only an ambiguous reference to energy taxes and emphasise the importance of economic growth.

It will take the direct intervention of Mr Noboru Takeshita, the former prime minister

Carlos Ripa di Meana: angered by heavy pressure

and faction boss chief, who has made the environment his territory, to settle an inter-ministerial debate *on energy taxes* that has so far lasted more than three years.

A month ago, Miti insisted that government discussion of an energy tax was "only informal", *but last night the ministry* said such a tax was "under consideration". Some Japanese officials argue that the country has already made a contribution by agreeing to "freeze" carbon dioxide emissions at the 1990 level by the year 2000.

However that ambiguous policy includes a per capita "freeze", which has allowed *Miti to set a separate target for* an 8 per cent increase in emissions until the end of the decade. The target is based on projected annual GNP growth of about 3.6 per cent.

The Environment Agency is in favour of an energy tax, and has suggested a sliding scale of charges that would reflect the amount of carbon dioxide emitted. The finance ministry is apparently not opposed to doubling the present petrol tax from Y2.4 to Y4.8 per litre, raising about Y400bn that could be spent on environment protection.

Elsewhere in Europe there are fears the EC tax is already in serious trouble. In the Netherlands, which strongly *favours using taxation for ecological ends, Mr Hans Alders,* the environment minister said: "The more countries that par*ticipate, the better it is...but to* make it dependent (on US and Japanese participation) means *nothing will get done," he said.*

Mr Ken Collins, chairman of the European Parliament's environment committee, said after the decision that he had decided to cancel his attendance at next month's Earth Summit in Rio. He described the event as "a sham".

Nynex in plan for Japan-UK cable link

By Martin Dickson in New York

A CONSORTIUM of international investors, led by Nynex, the north-east US regional telephone group, is considering installing the world's longest undersea fibre optic telecommunications cable, costing $1bn (£565m) and stretching from Britain to Japan.

The group will outline plans next week to officials from many leading telephone companies. It aims to hold a further meeting in the autumn, to try to persuade the companies to buy capacity on the cable.

Nynex stressed that the project was still in the early planning stages, with details of the cable's route, landing points and financing still to be worked out.

Other members of the consortium are Marubeni, the Japanese trading company, Dallah-Al Baraka, a Saudi Arabian bank, and Gulf Associates, a New York-based firm specialising in Middle Eastern business.

Some 95 per cent of the telecommunications traffic between the UK and Japan currently goes by satellite. The only cable linking the two regions via the Middle East is one between Singapore and France. This is a co-axial cable, which is less efficient than fibre optic cable. However, a second fibre optic cable is being built.

The proposed Nynex cable would have much greater capacity than the Singapore ones. Its 120,000 circuits would be capable of carrying 600,000 simultaneous conversations. Fibre optic signals are much clearer than satellite ones, and do not suffer from time delays.

The Nynex venture, known as Fibreoptic Link Around the Globe (Flag), would aim to complete the cable in 1996. It would have 14 landing points along the route.

Nynex, one of the "Baby Bell" telecommunications companies formed from the 1984 anti-trust break-up of American Telephone and Telegraph, has been conducting feasibility studies for two years.

Polish tariffs biased to the EC, says US

By Nancy Dunne in Washington, David Buchan in Brussels and Louise Kehoe in San Francisco

POLAND and other eastern European countries seeking European Community membership are erecting trade barriers to non-EC goods, according to US government and industry officials.

US computer makers and government officials are accusing the EC of encouraging the erection of trade barriers in eastern Europe to benefit their own industries at the expense of US and other competitors.

"What has occurred in Poland, and appears likely to happen in Czechoslovakia and Hungary as well, is that at the EC's urging, Poland has adopted measures that create a major tariff wall clearly designed to block out US and other non-EC goods in favour of EC products," says the Computer and Business Equipment Manufacturers Association (CBEMA).

Poland eliminated or reduced import tariffs on EC goods in March under the interim trade provisions of its association agreement with the EC. In August, Poland imposed import tariffs averaging 20 per cent on a range of products that previously were duty-free, including computers, telecommunications equipment, pharmaceuticals, farm products and chemicals.

US computer manufacturers are taking the lead in seeking redress. They claim that Poland has created a "discriminatory" tariff regime. The industry is are also angered by "local content" rules that require 60 per cent of the components of a computer or telecommunications system to be made in the EC to avoid the Polish tariffs. Even European-based manufacturers may find it difficult to comply with this rule because the US and Asia are the primary sources of electronic components.

The trade and commerce departments say attempts so far by Mrs Carla Hills, the US trade representative, and commerce secretary Ann Franklin, to raise the issue with Warsaw have been rebuffed.

A senior US trade official criticised the EC for what is seen in the US as its failure to uphold a "gentleman's agreement" that neither side would seek to benefit from the effort to aid the emerging east European democracies through trade. The issue threatens to become another in the lengthening queue of trade disputes between the US and EC.

The US is insisting that Poland lower its tariffs before it renegotiates the terms of its membership of the General Agreement on Tariffs and Trade (Gatt). The US may also bring its complaints to Gatt when the terms of the EC-Polish association agreement are examined, or request a dispute settlement panel.

The US may deny Polish products duty-free treatment under the Generalised System of Preferences for developing countries unless the issue is settled.

"Over half their trade comes in [to the US] duty-free," the trade official said. "We have been doing a major review to eliminate the barriers to Polish trade. But its hard to defend this when our exporters are facing huge differentials, and the Poles are refusing to talk to us about it."

EC officials said any increases in central European countries' tariffs were unrelated to their recent free trade agreements with Brussels, but were part of their general move to a free market and to greater use of tariffs to regulate their trade.

The Brussels officials said the EC's free trade accords with Poland, Czechoslovakia and Hungary were compatible with Gatt, and if the US wanted lower tariffs in these countries, it, too, should negotiate a free trade arrangement with them.

Boeing in big Malaysian deal

By Paul Betts, Aerospace Correspondent

MALAYSIA Airlines yesterday placed firm orders worth $600m (£339m) with Boeing of the US for 17 737-400 twin engine aircraft.

The deal comes at a time when general demand for narrow-body jets remains sluggish. Boeing plans to reduce monthly production of 737s from 21 to 14 aircraft from October, to adjust to the weaker market.

The deal with Malaysia Airlines involves 12 new orders for 737s and the conversion of five earlier options. It brings to 45 the number of 146-seater 737-400 jets the Kuala Lumpur carrier has ordered, making it Boeing's biggest airline customer for this aircraft.

The airline plans to use the new aircraft to expand its domestic and regional services.

The new aircraft will be powered by CFM56-3 engines made by the CFM International joint venture between General Electric of the US and Snecma of France.

Boeing has also delivered the last of its 707 Awacs (Airborne Warning and Control System) aircraft to the Royal Air Force. Production of the 707 Awacs ended last year and Boeing is now offering a militarised version of its twin-engine 767 airliner as the future Awacs airframe.

● Rolls-Royce jet engine sales to China have been boosted by an order for three Fokker 100 aircraft from China's Civil Aviation Administration (CAAC).

The UK group will supply Tay 650 engines to power CAAC's twin-engine Fokker 100 airliners.

The deal follows an earlier CAAC order for seven Rolls-Royce-powered Fokker 100s two months ago. China plans to use its new fleet of 100-seater Fokker aircraft on domestic and regional routes.

UK store's surprise Russian profit

By Ian Hamilton Fazey

LITTLEWOODS, the British clothes, mail order and retail group, is forecasting an unexpected £1m profit from its pioneering St Petersburg stores this year. It is to plough the money back into expansion because it will not be able to remit it back to the UK. The group says there is immediate room for four more stores in St Petersburg and it is looking at moving next into Moscow and Kiev.

However, Mr Des Pitcher, the group's chief executive, warned that growth would depend on political stability in Russia. He said demand was strong and accounted for a level of success that had been greater and achieved faster than anyone expected.

Littlewoods, which runs 250 shops in the UK, opened two stores in St Petersburg last year. One trades in hard currency and offers the full range of Littlewoods goods on sale in western Europe. The other, in the famous Gostini Dvor department store on Nevsky Prospekt, sells Russian-made goods for roubles.

The Gostini Dvor goods are made by the Mayak Tailoring Association under Littlewoods' supervision as part of a joint venture arrangement.

Mr Pitcher said Mayak was now making clothes for the hard-currency store as well as the rouble one, but they could be bought at a discount in hard currency. Hard-currency cash flow was used to buy the raw materials for Mayak's manufacturing operations.

The £1m surplus was being generated in roubles by the Gostini Dvor store. "We cannot remit these funds, so we shall be using them to expand. We viewed this whole venture as a trial and would have been happy if it had just washed its face financially, so we are very pleasantly surprised."

The company has invested about £700,000 in the project so far. The St Petersburg operations are small, involving floor areas of less than 10,000 sq ft each, with frequent queues outside.

Czechs go globe-trotting to end Euro-dependency

Ariane Genillard and **Anthony Robinson** chart the search for markets beyond old allies and the EC

THE SEARCH by Czechoslovakia for new markets last month took President Vaclav Havel to Japan and South Korea while his prime minister, Mr Marian Calfa, set off for South Africa at the head of a 50-strong delegation of Czech and Slovak businessmen.

Such top-level globe-trotting reflects the urgency of finding new export outlets to replace the former high dependence on Soviet trade. But it also marks a desire to re-establish a presence in global markets beyond the European Community and attract new investment to update Czechoslovakia's product range and increase the attractiveness of its exports.

Until this happens the country remains locked into its existing pattern of exporting a wide range of relatively low- or medium-technology engineering and consumer goods while importing energy and raw materials from the former Soviet Union and more sophisticated investment and consumer goods from the west.

Despite these product limitations, willingness to trim margins and easier access to the EC and markets of the European Free Trade Association (Efta) have already made western Europe the main market for Czechoslovak exports. This has helped offset the loss of the former Soviet bloc trading system Comecon, which accounted for 61 per cent of overall trade in 1989 but less than 30 per cent last year.

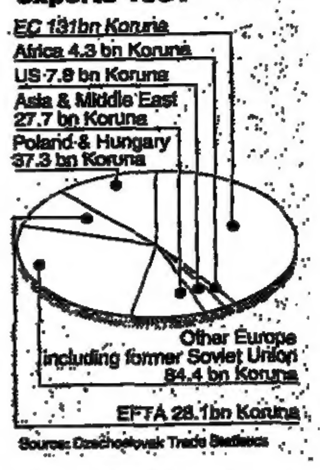
Growth in trade with the west however has not yet been strong enough to compensate fully for the collapse of Comecon.

Total exports of 321bn koruna ($11bn) in 1991 were 94 per cent of their 1990 level and nearly 30 per cent down on the $14.3bn of 1989. Imports have shrunk even more sharply to $10.1bn from $13.2bn in 1990.

Lower imports reflect both a recession which cut gross domestic product by nearly 15 per cent last year and the shift away from energy-intensive, polluting heavy industry. Imports of crude oil from Russia, for example, dropped from 16m tons in 1989 to 11m tons last year. With imports dropping faster than exports, Czechoslovakia's balance of trade recorded a 25bn koruna surplus in 1991.

The collapse of exports to the former Soviet Union in particular has deepened the domestic recession, especially in Slovakia with its heavy concentration of arms factories and other plants geared specifically to the old Soviet market.

Destination of Czechoslovak exports 1991



Source: Czechoslovak Trade Statistics

Within the lower overall volume, however, trade with EC markets grew strongly, to account for 40.7 per cent of Czechoslovakia's total exports last year compared with 24 per cent in 1988. A third of imports came from the EC, against only a quarter from the former Soviet Union, although imports from the former Comecon countries as a whole were virtually identical to the EC share at 32.2 per cent of the total.

The trend towards ever closer integration in the EC is expected to continue as Czechoslovakia, along with Hungary and Poland, reaps the benefits of a recently signed association agreement with the EC.

Germany, which accounts for two-thirds of the estimated $800m foreign capital invested in Czechoslovakia last year, took 19.4 per cent of Czechoslovak exports and supplied 20.1 per cent of all imports in 1991. It is expected soon to replace the former Soviet Union as the largest single export market.

But the influence of the German-speaking world does not stop with Germany. Austria and Switzerland are also becoming important trading partners. In 1991, Efta, of which they are members, accounted for 10 per cent of Czechoslovakia's total trade. Business with Efta countries is expected to be boosted by a recent trade agreement which takes effect on July 1.

But, as indicated by the official visits to Asia and Africa, and the opening soon of a trade office in San Francisco to supplement existing offices in New York and Washington, Czechoslovakia is also looking further afield.

Until now trade with the Pacific rim countries has been minimal. Czechoslovak exports to Japan for example were a mere $71m last year, mainly traditional consumer goods such as Bohemian glass and porcelain and hops for brewing Japanese beer. Exports to South Korea were only $8m.

Japan traditionally likes to boost trade links before following up with investment, and in the long run the main purpose of the high-profile state visit to both Japan and South Korea was to raise Czechoslovakia's profile as a profitable venue for investment.

Africa was also neglected under the old regime, with trade limited mainly to shipments of military materiel in obligatory support of Moscow's support for revolutionary regimes. The visit to Pretoria last month was recognition that if political developments allow South Africa to become the dynamo for the economic regeneration of southern Africa, a new market would be created in which Czechoslovakia would also intend to participate.

Seoul adds to Hyundai squeeze

By John Burton in Seoul

THE South Korean government yesterday threatened new credit sanctions against Hyundai a day before Mr Chung Ju-yung, the founder of the conglomerate, formally launches his independent presidential campaign.

The Office of Bank Supervision (OBS) said it would bar Hyundai from making new investments or acquiring real estate unless it collects Won202.7bn (£145m) Hyundai lent to the Chung family earlier this year.

The Chung family is believed to have used the funds to help finance creation of the Unification National party, which is expected to nominate Mr Chung today as its candidate in the December presidential election.

Hyundai recently promised it would recover the loans by the end of the year, but the OBS said the money should be repaid by this summer.

Hyundai has suffered credit restrictions as a result of the dispute. It believes that it recently lost a contract to build the Tsing Ma bridge for the Hong Kong airport project because the squeeze on its credit undermined confidence in its financial position.

Islamic bank opens in Jakarta

Indonesia's first Islamic bank opens today with the express support of President Suharto and other leading members of the government. Bank Muamalat Indonesia will not offer interest rates but will instead pay "profits" accrued from deposits, writes William Keeling in Jakarta.

"It's a sham, really. Profit payments are interest rates under a different name," said one local banker.

Critics argue that the timing of launching the bank, which has a capital of Rp100bn (£27.6m), is designed to boost the Islamic credentials of the ruling Golkar party in the first week of an election campaign.

Rise and fall of Bombay 'upstart'

By David Housego in New Delhi

TO MILLIONS in Bombay, the success of Mr Harshad Mehta in making the jump from low-paid office clerk to financial magnate, and self-proclaimedly largest taxpayer in the country, has provided proof that there is an escape from urban squalor.

But Mr Mehta is now under investigation by police for alleged improper use of money from the interbank market in government securities to fund his equity dealings. His rise and fall mirrors the best and the worst of the Bombay stock market.

As the market climbed this year from under 2,000 on the Bombay Stock Exchange 30-share index to a peak in April of 4,467 largely under the pressure of Mr Mehta's relentless buying (yesterday it closed 36.65 lower at 3,394.48) he became the symbol of the path to easy wealth.

In Bombay's rather stuffy financial community, he was an upstart. The son of a cloth trader, he was proud of having done badly at school and college. He mocked the Indian education system by describing himself as a "B Com, 37 per cent".

He quit working for an insurance company in 1982 and said up a portfolio investment company called by the characteristically aggressive name of Growmore. He liked the wealth that came from success – buying a large fleet of cars, and installing himself in a bungalow overlooking the sea that has a small golf course attached.

The establishment eventually accepted him. Shortly after being raided by income tax officials, he was invited by state-owned television to offer his budget night comments.

He was immensely well-connected among politicians, bankers and senior civil servants – buying and selling shares for them in transactions that could now come under close scrutiny.

He became a legend for the way he could push up share prices. He focused on what he considered undervalued shares and stuck with them.

He purchased 5 per cent of Associated Cement Corporation – helping to push up its share price from Rs350 at the beginning of 1991 to an April peak of Rs11,500. He bought similar 5 per cent portfolio stakes in other groups such as Appollo tyres or Piramal luggage – driving up their price as well.

Part of Mr Mehta's success was that he knew the inner mechanism of an archaic market structure. The other reason was that he never seemed to lack funds.

Last month part of the reason for this emerged when State Bank of India, the largest commercial bank, discovered that it had paid out Rs6.2bn (£122m) for securities or bankers' receipts (promissory notes in the interbank securities market) which it had never received.

State Bank then forced Mr Mehta to settle his account – a move that showed up the strains in Mr Mehta's finances.

He seems to have turned to help from National Housing Bank, headed by Mr M J Pherwani, who has since resigned. A large cheque issued by National Housing Bank to ANZ Grindlays, India's biggest foreign-owned bank, was endorsed on the back to be credited to Mr Mehta's account.

Mr Mehta is a quiet 37-year-old, full of charm. He holds his own in conversation, partly because of the power of his wealth. But as police investigators hover around him, he will have great difficulty in preserving all that he has gained.

Pakistan raises tax base to cut budget deficit

By Farhan Bokhari in Islamabad

THE Pakistani government yesterday announced an annual budget containing new taxes to narrow its deficit while claiming that it intends to carry on with liberalisation of the economy.

The measures did not appear to hit ordinary poor Pakistanis directly, as costs for domestic consumption of basic needs including food, electricity and water were untouched.

Among measures announced to raise additional revenues of PR6.8bn (£152m) under the central excise budget, telephone call rates were raised by some 30 per cent.

A 5 per cent duty was also introduced on unprocessed fabrics exported from Pakistan. An additional tax was announced for owners of cars of over 1,000 cc to encourage use of smaller vehicles.

Mr Sartaj Aziz, finance minister, said in his budget speech that the government intends to widen the sales tax net.

Computerisation is to be used to improve efficiency of the tax system to broaden the tax base. Successive Pakistani governments have been unable to prevent large-scale tax evasion due to widespread corruption in assessment and collection systems. The government hopes for an additional PR3.62bn annually from improvements in collection of income, wealth and property taxes.

Some incentives were also announced for the private sector, in an effort to continue with liberalisation of the economy. The budget provided details of a five-year plan under which a tax rate of 66 per cent for banking companies would be reduced to 55 per cent, and for publicly held companies from 44 per cent to 30 per cent. Tariffs ranging up to 90 per cent were reduced by 10 per cent on import of refrigerators, televisions and washing machines.

Yesterday's budget appeared to be an attempt by the two-year-old government of Mr Nawaz Sharif to avoid measures which would be unpopular among the majority of the population. Most Pakistanis are not likely to be hit by such measures as increased telephone costs or car tax.

But the government appeared to have made no headway on difficult decisions such as cutting the large defence budget.

Philippines election

Ramos, Santiago still level

By Jose Galang in Manila

THE BATTLE of nerves among leading candidates in last Monday's Philippine general election heightened yesterday as counting of votes proceeded at a snail's pace.

The camp of Mr Fidel Ramos, the administration-backed candidate for president, yesterday claimed it would fortify its slim lead over Mrs Miriam Defensor Santiago once the returns from nine of the country's 13 regions were tallied.

Mr Ramos' Lakas-National Union of Christian Democrats party said Mrs Santiago's lead in metropolitan Manila and other urban centres, which was reflected in the early returns, could easily be offset by Mr Ramos' winning margins in the nine regions.

Mrs Santiago, on the other hand, said yesterday that the votes from the countryside "will further widen" her lead in the Media-Citizens Quick Count, an independent tabulation sanctioned by the watchdog Commission on Elections (Comelec). Other estimates have put Mr Ramos slightly ahead.

The camp of Mr Eduardo Cojuangco, placed third in the count, yesterday also expressed confidence of emerging winner in the final tally.

Vice President Salvador Laurel, who was trailing in the seven-member field, conceded defeat. Mr Ramon Mitra, the Speaker of Congress, also acknowledged he had no real chance of success.

Libya 'to renounce terrorism'

LIBYA claimed yesterday that it was renouncing terrorism but again refused to hand over the two men accused by the US and Britain of responsibility for bombing a PanAm aircraft over Scotland in 1988 which killed 270 people, writes Our Middle East Staff.

Mr Ibrahim Mohammed Beshari, Libyan foreign minister, said in Indonesia, where he is attending a meeting of the non-aligned movement, his country's laws prevented extradition of the two suspects. A foreign ministry statement issued in Tripoli referred only to the second part of UN Security Council's Resolution 731 which called on Tripoli to cut all links to terrorist groups.

Libya's failure to comply with the first part of the resolution, demanding the extradition of the two suspects, led to the imposition of sanctions last month which cut its international air flights, imposed an embargo on arms sales and scaled down diplomatic representation.

Britain repeated yesterday that Libya had to comply with all and not just some of the UN demands. "The resolutions aren't a menu from which the Libyans can pick and choose," a UK official said in London.

Residents of Phola Park squatters' camp run away from teargas fired during a police and military raid on the camp, an area of continuing factional violence in the black township of Tokoza, near Johannesburg

Tortuous undoing of apartheid

Patti Waldmeir on South Africa's complex constitutional 'summit'

"Fine to warm, with storms brewing."

THAT was how Mr Thabo Mbeki, one of the chief constitutional negotiators of the African National Congress, characterised the prospects for success at talks today on the political future of South Africa.

When white, black, coloured and Indian South Africans meet today at the Convention for a Democratic South Africa (Codesa), the multi-party forum shaping the country's constitutional future, they will be tackling the central questions of post-apartheid politics: how will power be distributed in the new South Africa? Will there be majority rule or power-sharing?

By Saturday night, the 19 parties to Codesa may have agreed to form a multi-racial interim executive which would bring blacks to power for the first time in 350 years. Such a government would include the ANC (the largest black group), the ruling National party (which represents most whites and probably a majority of coloureds and Indians), and the powerful Zulu party Inkatha, as well as parties from the nominally independent black "homelands", the liberal Democratic party and smaller ethnically-based parties. It would remain in office until elections were held for an interim national assembly, probably early next year.

But before they can strike a deal on the interim executive, the 200-odd delegates to today's plenary session of Codesa must either resolve the issue of how a new constitution is to be drawn up – or agree to differ on it for the moment. The bottom-line positions of the two main parties – the National party, which continues to demand what would in effect be a white veto in the constitution-making body, and the ANC which wants decisions taken by a two-thirds majority – reveals a big gap which they were yesterday frantically attempting to close.

Since last December, five Codesa working groups have met for at least two days weekly to seek agreement on removing obstacles to free political activity, on interim government, on the shape of a constitution-making body, on the future of the homelands, and on implementation.

The deliberations have alternately baffled and bored ordinary South Africans. This plenary will determine whether there is breakdown or breakthrough.

They have spawned sub-committees, technical committees, steering committees and management committees, which have struggled for thousands of hours to reach consensus. Their deliberations, reported in confusing detail in the local press, have alternately baffled and bored ordinary South Africans. And though they can claim to have made progress, only the upcoming plenary will determine whether there is breakdown or breakthrough.

On some important issues, consensus has already been achieved. At the first plenary session of Codesa last December, the two sides agreed on a "declaration of intent" which committed them to a multi-party political system with "freedom, equality and security for all", an independent judiciary, a bill of rights, separation of powers among the executive, the legislature and the judiciary with appropriate checks and balances, proportional representation, and an end to racial discrimination. The Inkatha Freedom party, which refused to subscribe to the declaration last December, has now said it will sign, after an amendment which raises the possibility of federalism.

Since then, the working groups have agreed to restore South African citizenship to the residents of the homelands of Transkei, Ciskei, Venda and Bophuthatswana, and agreed "in principle" that they should be re-incorporated into the republic (though the wording is vague and the deal fragile).

They have agreed on the structure of the interim executive, to be called the Transitional Executive Council (TEC), which would include a representative from each of the 19 Codesa parties and take decisions by an 80 per cent majority.

The council would be a sort of "super cabinet" with powers to compel the existing cabinet (which would remain in office) to comply with its decisions. But its scope would be limited: the council would not run the government, but deal only with levelling the political playing field in the run-up to multi-racial elections, ensuring joint control over the security forces, the state media, the electoral process and some aspects of foreign affairs.

The council, which would be appointed by Codesa, could take office within two or three months. But the ANC has said it will block it until agreement is reached on the constitution-making body which would both draw up a new constitution and make ordinary laws during the transition to democracy. That may be within reach today and tomorrow, but only by postponing the most contentious issues – the powers of regional government, the supreme authority of central government, joint control of the security services – until later.

Yesterday the two sides were still fighting over the size of the majority needed in the constitution-making body. The ANC wanted that body to take decisions by a two-thirds majority, while the National party is demanding a 75 per cent majority, which would in effect give it and its allies (whites and other conservatives), a veto over the constitution.

Though the percentages appear close, the dispute is substantive: the final figure will determine whether blacks have the power to write what is essentially a majority-rule constitution, or whether whites and other minorities can entrench minority protections.

If talks break down, the ANC will probably mount a campaign of mass protest, including a national general strike, which will lead to more civil disruption.

The National party, for its part, may not easily buckle under the pressure.

But in the end, both parties concede they will return to the negotiating table with the same political problems to solve, the same backlogs of economic development, the same burden of joblessness – and even less time in which to solve them.

Keating 'hampered corruption probe'

By Kevin Brown in Sydney

THE FUTURE of two senior members of Australia's federal Labor government was in doubt yesterday after Mr Paul Keating, the prime minister, demanded a written account of their relationship with a businessman facing criminal charges in the Marshall Islands.

Separately, Mr Keating was accused by a Western Australian royal commission of hampering investigations into alleged corruption between Labor politicians and local businessmen by blocking access to tax records.

The allegations mark the end of a five-month honeymoon period during which Mr Keating has increased Labor's opinion poll rating to within three percentage points of the opposition conservatives. The government trailed by 18 points when he replaced Mr Bob Hawke in December.

The most serious allegations revolve around Senator Graham Richardson, the transport and communications minister, whose brother-in-law, Mr Greg Symons, is on trial for forgery in the Marshall Islands, a US protectorate in the Pacific.

Mr Richardson admits meeting Mr Symons in his office, writing a letter of introduction for him, and telephoning Mr Amata Kabua, Marshall Islands president, after Mr Symons was arrested. It later emerged that Senator Kerry Sibraa, Senate president, wrote to the Australian embassy in Washington in November, urging the diplomatic service to help arrange meetings for Mr Symons with US officials.

Both senators deny wrongdoing, but the affair has embarrassed the government and left Mr Keating open to allegations of protecting political allies. All three belong to Labor's dominant right wing.

In Perth, Mr Tony Templeton, the counsel assisting the royal commission, said investigations into the collapse of Mr Laurie Connell's Rothwells merchant bank had been limited by Mr Keating's refusal to allow access to tax records.

Mr Keating said he had refused access on the advice of Mr Trevor Boucher, the tax commissioner. He also claimed the information could have been acquired through the police. The commission says that would have been illegal. Mr John Hewson, federal opposition leader, accused Mr Keating of protecting Labor politicians implicated in the collapse.

The opposition also contrasted Mr Keating's refusal with his decision to allow access to tax records by the 1987 Fitzgerald royal commission into corruption in Queensland – a state then run by the conservative National party.

Partial reprieve for spotted owl in logging lands

By George Graham in Washington

THE US administration yesterday gave a partial reprieve to the Northern Spotted Owl, but proposed sharp reductions in the conservation areas set aside for the threatened species.

It also agreed to allow logging in a portion of the ancient Oregon forest that provides the bird's habitat.

The Endangered Species Committee (known as the God Squad because of its power to condemn a species to extinction if it sees a greater public interest) agreed to let the federal Bureau of Land Management sell timber on 13 parcels of land, although logging there might jeopardise the existence of the owl.

Only once, in 1979, had the committee overruled the requirements of the Endangered Species Act by granting such an exemption.

Also, Mr Manuel Lujan, Interior Secretary, proposed a plan he said would stabilise the spotted owl population, but would cut the federal land set aside for the birds from 5.4m acres to 2.8m acres. An alternative plan, which would have aimed not merely at preserving the owl population but at restoring its numbers, would cost 32,000 jobs in the region, the Interior Department said.

"Our preservation plan takes a common sense, middle ground approach that will save more than half of the 32,100 timber industry and related jobs that would be lost through strict compliance with the Endangered Species Act," Mr Lujan said. "It will give us a better than even chance that the owl will be preserved for the next 100 years."

The fate of the spotted owl has become the focus and the symbol for the conflict between jobs and environmental protection in the north-western US, which is heavily dependent on the timber industry.

Citicorp points to new loans for Brazil

By Stephen Fidler in Brasília

MR JOHN REED, chairman of Citicorp, has said Brazil's commercial bank creditors would put up \$500m-\$1bn in new loans for a debt restructuring deal, implying that Citicorp itself has decided to contribute a significant sum in new money.

Bankers close to the transaction say Mr Reed's statement suggests Citicorp could be willing to put up \$500m for the deal, now under negotiation by leading creditor banks and Brazilian officials in New York.

The chairman's comments, to journalists in Brasília late on Wednesday, suggested that only "mathematics" stood in the way of an agreement. However, his statements may prove controversial among banks that are less enthusiastic about a debt accord with Brazil.

The chairman of Citicorp, the largest foreign bank lender to Brazil, said he believed \$3bn-\$4bn would be needed for enhancements under the accord. Enhancements provide finance for guarantees of concessional bonds used in debt-reduction deals such as that being negotiated by Brazil.

Some bankers say this suggests Citicorp has conceded the need for enhancements to be phased in over time – an approach controversial with some leading bank leaders.

Mr Reed and his vice-chairman, Mr William Rhodes, were in Brasília to meet President Fernando Collor and Mr Marcílio Marques Moreira, economy minister.

HIGH-TECH HUNTERS: Astronauts Richard Hieb, Tom Akers and Pierre Thuot manoeuvre the errant Intelsat satellite in space

Satellite in line for new orbit

By Nancy Dunne in Washington

INTELSAT was last night preparing to move its \$157m telecommunications satellite into the required orbit after its rescue by US astronauts during the first three-man space walk.

The mission to save the satellite has brought Nasa, the US space agency, its most sensational success since its re-organisation after the explosion of the shuttle Challenger in 1986.

Questions will be raised about the level of risk involved for the three space-walkers in performing a commercial venture, but Nasa has demonstrated once again the value in having inventive and daring humans in space doing tasks out of reach of robots.

It had taken three tries before the astronauts, travelling 17,000 miles an hour, were able to snatch the elusive satellite on Wednesday night. They set aside the bulky "capture bar" which had been unsuccessfully employed to snare the the 4.5-tonne satellite, and caught it by hand.

Once it had been brought into the shuttle bay, the astronauts attached a new 12-tonne rocket motor and prepared it for reboosting.

The mission was performed at the behest of a consortium of 22 countries which own and operate the global communications satellite system. Intelsat paid \$150m up front and unreturnable to Nasa because the satellite is expected to reap more than \$1bn in business.

So strong was its faith in Nasa – which has never failed on six previous missions to repair or recapture errant satellites – that Intelsat did not insure the mission, which would have added about \$43m to its costs.

The entire Shuttle flight is estimated to have cost about \$1bn. Nasa officials have been extolling its worth.

Mr Daniel Goldin, the new Nasa administrator, insisted that the purpose of the mission was "to understand and extend the knowledge of the human presence in space, how they operate in space".

"And as part of that," he said, "there was an opportunity to rescue a satellite."

The mission will enable Nasa to "get ready for future things we have to do in space with human beings and to understand how we can do better simulations on the ground."

The satellite has had an accident-prone history. It was stranded in a dangerously low orbit after a failed launch attempt two years ago. Only quick thinking by Intelsat's launch control centre sent it to a safe orbit.

Nasa was hired to perform what was already expected to be one of the most complex commercial rendezvous manoeuvres it has ever taken on – capturing, retrieving, repairing and then redeploying the satellite.

The satellite, equipped with a new booster motor by the astronauts, was ejected from the shuttle bay using a "super-zip" spring system propelling device. After the Endeavor shuttle moves a safe distance away, Intelsat was to radio commands to ignite the rocket and propel it to a spot 22,300 miles above Brazil.

If all goes well it will begin commercial operations in the Atlantic Ocean region. It can carry up to 120,000 simultaneous telephone calls and three television channels.

If it is operational by mid-year, as expected, it will help provide coverage of the Olympic Games in Barcelona this summer.

Astronauts were preparing yesterday to take a fourth spacewalk to test space-station construction techniques before returning to Earth on Saturday, two days later than planned.

Probe of BCCI 'hampered in Washington'

By Alan Friedman in Washington

A FORMER top prosecutor claimed in congressional testimony yesterday that he had been impeded last year by the US Department of Justice in his efforts to obtain documents and bring indictments against the Bank of Credit and Commerce International (BCCI).

Mr Dexter Lehtinen, US attorney in Miami until four months ago, complained that, despite numerous written requests to Washington, the department declined to give him permission to enforce subpoenas demanding crucial BCCI documents about the bank's Luxembourg and other non-US operations.

Mr Lehtinen testified that, in a separate instance, a Justice Department official told him last August not to bring a tax charge against BCCI. The former prosecutor said the order not to bring the indictment had been given by Mr William Barr, the US attorney-general, and relayed to him by a deputy of Mr Barr.

The department has consistently denied that it impeded any US investigations of BCCI.

Mr Lehtinen, before a senate foreign relations sub-committee, said he had written to the department in May 1991, requesting assistance on BCCI, because he believed his investigation would "crack open a case of the greatest national urgency".

He said he was told repeatedly by Justice Department officials in Washington that an out-of-court BCCI settlement of a money-laundering case in Tampa in January 1990 precluded his bringing any further indictments in Miami.

Senator John Kerry, chairman of the Senate sub-committee, noted that this contradicted the testimony last year of department officials who said the Tampa plea agreement only precluded further charges in Tampa.

Pemex ordered to plan reorganisation

By Damian Fraser in Mexico City

PRESIDENT Carlos Salinas de Gortari has given Petróleos Mexicanos (Pemex), Mexico's state oil company, 30 days to present plans for a fundamental restructuring of its operations.

The order comes less than a month after the explosion at Guadalajara that killed 200 people. The company has been widely blamed for the disaster and, during the past couple of weeks, has been subject to sustained and bitter criticism.

Few details of the plans are known, but they are likely to lead to a greater decentralisation of Pemex's operations, and further demarcation between its lines of businesses. Local managers may assume greater responsibility for operations. It is expected more services will be contracted out to private companies.

Pemex, and Mexico's oil reserves, will remain under full state ownership, and foreign oil companies will still not be allowed to explore for oil in Mexico, nor build and operate refineries.

Under advice from McKinsey, the US consultancy, Pemex has already been divided into five profit and cost centres – exploration and production, petrochemicals, refining, sales, and construction. It is intended that the accounting price of trade between the centres be based on a formula linked to international prices.

However, this new structure is meeting resistance within Pemex, and is not thought to be as running as smoothly as the government would like.

Sharp rise in jobless hits rate cut hopes

By Emma Tucker, Economics Staff

REMAINING hopes for a further cut in UK interest rates were dashed yesterday with the news that unemployment rose sharply by 42,600 in April and average earnings rose by a higher than expected 7.5 per cent in March and February.

The seasonally-adjusted rise in unemployment in April - *the 24th consecutive monthly* rise - brought the jobless total to 2.7m, the highest level since August 1987. It followed the exceptionally low rise in March of just under 8,000 and pushed the rate of unemployment in April to 9.5 per cent.

Although the increase was bigger than City forecasts of a *29,000 rise in the jobless total*, the overall trend measured on a three-monthly basis continued to improve.

Mrs Gillian Shephard, employment secretary, described the rise as "clearly disappointing" but said that the average rate of increase in unemployment in the three months to April was the lowest since the three months to September 1990.

Over the past six months, unemployment has risen on average by 36,400 a month and the Department of Employment said the underlying rise was around 30,000 a month.

"Although the monthly rise in unemployment exceeded that in previous months, trends suggest that the pace of increase in unemployment is still gradually easing," said Mr Michael Saunders, an economist at Salomon Brothers.

A bigger shock came from March's 7.5 per cent year-on-year increase in average earnings which fuelled worries about underlying inflationary pressures in the economy.

The yearly rise in February was revised to 7.5 per cent from an initial estimate of 7.25 per cent. The growth in average earnings has consistently disappointed market expectations since it began its decline from 10.25 per cent in July 1990. In the service sector, average earnings dropped to 7 per cent in March from a revised 7.25 per cent in February, *but in manufacturing* industries they stayed at 8.25 per cent.

The department of employment described the figure as a "blip" and said it probably reflected bonus payments made by firms before the general election on April 9 because of fears that a Labour government would have led to higher taxes for some employees.

Mr Tony Blair, Labour's employment spokesman, said April's rise "shattered" the hope that the rise in unemployment was about to cease.

Analysis, Page 24

Thatcher to attack moves towards EC federalism

By Ralph Atkins

MRS Margaret Thatcher, former prime minister, will today launch a stern attack on moves towards European federalism in a speech which is expected to avoid direct reference to Tory party splits over the Maastricht treaty.

Her address in the Hague will include praise for Mr John Major and is expected to steer clear of his handling of the Maastricht deal. But she will be sharply critical of the federal *ambitions of Mr Jacques* Delors, European Commission president. Ministers will be braced for obvious coded messages in Mrs Thatcher's words and for possible interventions into the battles within the Conservative party when she answers questions afterwards.

Speaking in Munich yesterday, Mrs Thatcher said the former Soviet Union and eastern Europe marked a trend away from centralised bureaucracy and towards co-operation between national governments.

"It is for individual countries to decide what powers they cede to the [European] Community," she said at a meeting of the International Securities Market Association.

Mr Major, meanwhile, provided some encouragement to Tory Euro-sceptics in the Commons by saying Britain would not accept EC proposals to remove border controls in the single market.

● *Labour opposition MPs* will abstain in next week's vote on legislation to ratify the Maastricht agreement. Their decision guarantees the government a comfortable majority.

Steven Norris, transport minister for *London, yesterday attended the launch of* Countdown, a passenger information service being installed by London Buses.

From September, passengers at stops on the 18 route which runs from Kings Cross to Sudbury, north-west London, will be given a countdown to the arrival time of the next bus.

London Buses hopes the £700,000 system will overcome the uncertainty involved in waiting for buses, often cited *by passengers as the main reason for not* making more use of them.

Progress will be monitored by roadside beacons and by radios in the buses. A central computer will interpret data and transmit the predicted arrival times of the next three buses to dot-matrix screens at stops along the route.

The new system uses technology developed *by Serel, a French electronics* company, now in use in several French towns *and in Málaga, Spain. A similar system* operates on some London Underground platforms.

London Buses estimates that increased revenue should pay for the system in less than three years.

If it succeeds, the system may be extended to 100 or more London bus routes at a cost of £35m.

Picture by Ashley Ashwood

Lloyd's report due in July

By David Owen and Richard Lapper

INQUIRIES into alleged malpractices at Lloyd's of London are to be completed by mid-June and Sir David Walker, the Securities and *Investments Board chairman*, will hand his report to the insurance market's authorities *on July 1*.

The timetable for completion of the inquiry, which emerged after a meeting yesterday between Sir David and three Conservative MPs, was announced as the opposition Labour party accused the government of mounting a cover-up of malpractice at Lloyd's in a bid to protect its 21-strong Commons majority.

Calling for a debate on the market's problems, Mr Peter Hain, *the Labour MP*, said there was evidence that "the Council of Lloyd's - in discus*sion with the Department of* Trade and Industry - was involved in an attempt using institutional finance to bail out Lloyd's Names including MPs."

In a separate development yesterday Lloyd's Names who benefited from the out-of-court settlement in the Outhwaite case won another victory.

After a two day hearing in the Commercial Court Mr Justice Saville ordered Lloyd's to pay the £116m directly to the 987 Names party to the settlement agreed in February.

Last month Lloyd's blocked *direct payment of the settle*ment to Names by insisting monies be paid to its premium trust funds - the funds into which all monies earned by Lloyd's underwriters are paid.

Problems likely on council tax

By Alison Smith

A PROBABLE delay in the announcement about next *year's overall local government* spending is set to cause difficulties in the negotiations over the the council tax, the new levy to pay for local services.

The government usually announces in July the maximum amount it believes local government should spend in the following financial year (total standard spending) and the total amount of external support through government grant and the business rate. However, the Department of the Environment believes that this year *the statement* may have to wait until October.

The likely delay is already being interpreted as a sign of how tight the coming public spending round will be. Environment ministers believe it is vital to secure a reasonable revenue support grant settlement for next year to prevent sharp rises in bills.

The news emerged as Mr Michael Howard, the environ*ment secretary, announced in* the Commons that the government intended to limit the spending of 10 English local authorities that had breached its budget criteria.

British Gas price cut fuels row

By Neil Buckley

THE ROW between British Gas and Ofgas, the industry regulator, grew increasingly bitter yesterday as the company insisted its decision to cut domestic gas prices by 3 per cent was not a climbdown after threats of legal action.

Mr Robert Evans, British Gas chairman, said that when British Gas froze its prices in March it indicated a future price reduction was likely. It had waited until the economic outlook could be more accurately predicted before taking action. However, last week Sir James McKinnon, director-general of Ofgas, told British Gas to cut prices to its 18m domestic customers or face "enforcement action".

Mr Evans attacked Ofgas's statement as a "stunt for the press" and complained that the demands of the regulator and *the government in their efforts* to open the gas supply market to competition sometimes gave the impression that British Gas was being "set up to fail".

The price cut of 1.7p a therm will mean an average reduction of £13 for domestic consumers on bills for the year from July. It brings the company in line with a tough new pricing formula imposed by Ofgas in April which limits price rises to 5 percentage points below the rate of inflation.

British gas warning, Page 37

Imports threaten UK paper industry

By Paul Abrahams

BRITAIN'S paper industry risks destruction from imports unless its raw material costs are reduced through increased paper recycling.

Mill closures, job losses and increased imports of finished paper were inevitable unless the government acted to increase the supply of paper for recycling, warned the British Paper & Board Industry Federation.

The federation called on the government to introduce levies that would act as a disincentive against the disposal of recyclable paper in land-fill sites. Similar measures in Germany and France have increased the supply of paper for recycling and caused raw material prices to plummet.

Raw material costs in the UK are between 300 and 400 per cent higher than in Germany, said Mr Dermot Smurfit, president of the federation and joint deputy chairman of Jefferson Smurfit, the paper and packaging group.

Since these represent 55 per cent of total manufacturing costs, British manufacturers are severely disadvantaged by the shortage of recycled stock.

Such legislation would be popular in the UK, claims the federation. A poll by Mori, the research organisation, showed that 89 per cent of the public supported legislation forcing shops and offices to collect and sort waste paper and cardboard for recycling.

At the same time, the federation has launched a campaign to encourage commercial organisations to recycle waste paper and cardboard.

"We have a forest on our doorsteps, but we are *just not* using it," said Mr Smurfit.

Bank charges price gap found

By David Barchard

SOME UK clearing banks charge their small business customers substantially more than their rivals, according to a survey of banking business charges published by Roches*ter Research, a Kent-based con*sultancy.

The pricing gap is particularly wide between Lloyds and Midland, the two clearers locked in a takeover battle. Lloyds emerges as the most expensive *bank for small busi*nesses and Midland as the cheapest. The survey was carried out *in bank branches* in Kent but its findings are valid for the UK as a whole.

Rochester Research says some Lloyds business customers would pay over 20 per cent *less if they banked with Mid*land. It has forwarded a copy of its report to the Office of *Fair Trading, which is consid*ering whether to refer Lloyds' bid for Midland to the Monopolies and Mergers Commission.

Yesterday Lloyds said it was unfair to compare its current prices with Midland's when predicting what customers of an enlarged bank might pay two years from now after the merger. *"We have made it* clear that the kind of cost savings which would then be possible would clearly benefit the customer," Lloyds said.

For a customer writing 60 cheques a month, paying six bills by standing order and another six by direct debit, and *receiving eight credits, Lloyds* would charge £187.50 compared to Midland's £147.90. The charges of the other *two* big clearers are closer to Midland than Lloyds. A NatWest customer would pay £159.60 for identical services and a Barclays' customer £156.20. Only the TSB charges amounts com*parable to Lloyds*.

Telecom plans may cost £3bn

By Hugo Dixon

PLANS to change in Britain's national telephone codes could cost industry more than £3bn, according to an organisation representing large telephone users.

The Telecommunications Managers Association has urged Oftel, the telecommunications regulatory body, to put proposals to introduce new codes in Spring 1994 on ice for at least two years. Its £3bn estimate takes into account the cost of modifying or even scrapping telecommunications equipment, reprinting stationery and advertising the change. The TMA's objections have already stopped Oftel, whose internal estimates have put the cost at only £200m, giving the final go-ahead for the code change.

A national campaign to alert customers, due to have started at the beginning of this month, was postponed at short notice.

This delay, in turn, is causing concern in parts of the industry. BT, Britain's largest telecommunications group, and the Telecommunications Users' Association, another user group, believe any further delay will give customers even less time to prepare for the change.

Sir Bryan Carsberg, Oftel's director general, is looking at ways of reducing the impact of the code change by phasing it in. But Sir Bryan, who leaves Oftel to head up the Office of Fair Trading next month, is still committed to the broad thrust of the scheme.

In addition to the high cost of the planned change, the TMA has told Oftel it would not even solve the problem of a shortage of numbers and that, in a few years, there would be further number changes and yet more disruption.

Instead of a wholesale change to codes, it has proposed a stop-gap scheme to buy time while Oftel examines whether there is a better long-term solution. The TMA's idea would involve taking codes from rural communities, where there are few users, and reallocating them to the areas of shortage.

Its fears of further disruption are confirmed by the fact that BT has recently put a proposal to Oftel which would involve more than a million customers in five cities changing both their codes and numbers.

Oftel said it was unlikely to consult users before approving a new numbering system for the five cities - a decision which may anger local people.

Police on alert after unrest in city suburb

By Paul Cheeseright, Midlands Correspondent

POLICE in Coventry, central England, were on the alert yesterday for a further outbreak of violence from gangs of youths on a council estate in the Wood End suburb, as the first warm days of summer brought simmering urban tension to the surface.

Patrols were light, in keeping with the police statement that "we don't want to go in heavy-handed".

The estate of 1,300 homes, on the eastern outskirts of the manufacturing city, is notorious locally for its shabbiness, poverty and high crime rate. It is in a district where male unemployment is over 22 per cent.

On two successive days police clashed with gangs of youths, numbering about 200 on Tuesday and 150 on Wednesday.

Buses and police cars were stoned and some stores were looted. A mile away, in an incident which may not have been connected, an infants school was burned down. The gangs threw petrol bombs on Wednesday, but caused no damage. Six people appeared in court after the first night of trouble and police made 16 arrests on the second.

The catalyst of the clashes was the latest episode in a battle the police have been waging, with support from local residents, for 10 years.

Police have been trying unsuccessfully to stop the riding of motorcycles at high speeds through the grassy areas of the estate. On Tuesday they apprehended one rider. The appearance of gangs on the streets was the response.

The motorcycling youths, who are usually about 15 or 16, but can be as young as 12, show little respect for the police. Officers say they should be at school but frequently play truant. Those older than 16 are often jobless. Local residents, who complain of being terrorised by the riders, have been talking of setting up their own vigilante groups.

Police struggle with a youth during disturbances in the Wood End suburb of Coventry

Drink industry leaders to meet Lamont on EC duty

By Philip Rawstorne

LEADERS of the UK drinks industry are to meet Mr Norman Lamont, chancellor of the exchequer, today to discuss the government's approach to the European Commission's proposals for minimum EC duty rates on spirits.

The issue is expected to be discussed at a meeting of EC economic and finance ministers in Brussels on Tuesday. Protests from the industry in July last year persuaded Mr Lamont to withhold Britain's agreement to EC proposals for a minimum duty of Ecu 1,118 per hectolitre of pure alcohol for Scotch whisky, gin, and other spirits.

The proposed rate for spirits would have added up to £2.50p to a bottle of whisky in southern European countries. Industry leaders believe such a move would also have hampered their efforts to reduce discriminatory taxation of their products in other world markets.

Britain in brief

Tax victory for Johnson Matthey

Johnson Matthey, the precious metals company, has won its appeal against the Inland Revenue to receive tax relief on £50m granted to it for the rescue of Johnson Matthey Bank, its former subsidiary, seven years ago.

The Bank of England rescued the bank, which ran into difficulties on its commercial loans business, by buying its shares for £1. The rescue was conditional on a £50m cash injection from Johnson Matthey. Five law lords unanimously upheld the company's argument that the £50m was a "revenue payment" and hence deductible for corporation tax purposes.

Lord Templeman said the payment was solely to enable Johnson Matthey to continue trading, because its own platinum-trading business would have collapsed if Johnson Matthey Bank had closed.

Sony bids for TV licence

Sony Pictures International and Thames Television have joined the Five TV consortium to bid for the Channel 5 broadcasting licence.

The agreement, about to be announced, means that there are two powerful, potentially well funded groups competing for the new national channel capable of reaching around three quarters of the UK population.

Last month TV-am, Mr Conrad Black's Daily Telegraph group and Time Warner, the world largest media group, signed an agreement in principle to bid for the new channel.

Car production falls by 2.3%

UK car production fell last month by 2.3 per cent, but output of commercial vehicles was sharply higher than a year ago continuing the strong recovery which began late last year.

UK car output in April at 108,641 fell from 111,138 in the same month a year ago according to figures released by the Society of Motor Manufacturers and Traders and the Central Statistical Office.

BAe cuts jobs at arms plant

The relentless erosion of jobs in the defence industry has continued with confirmation of plans by Royal Ordnance, the armaments subsidiary of British Aerospace, to cut its workforce at Blackburn, north west England, by almost half.

Announcing the 350 job losses, the company warned that the future viability of the Blackburn site, which specialises in fuses, was "entirely dependent upon future order intake". The plant has already cut 640 jobs since 1990 and will be left with a workforce of 370 after the latest reduction.

Tax collection contracted out

Collection of local taxes and the payment of benefits is to be contracted out to the private sector by East Cambridgeshire district council, in the first successful competitive tender for a local authority white collar function. The council sought competitive tenders for the collection of poll tax and business rates – and council tax when that is introduced next year – and the payment of housing benefit benefit. The contract, worth £3.5m over five years, has been awarded to Capita Group from May 1992.

Man charged in fraud case

Businessman Mr Malcolm Johnson has appeared at City of London magistrates court charged on eight counts of fraud involving more than $2.4m.

Mr Johnson was extradited from Vienna on Wednesday following a request by the Serious Fraud Office. The charges against him include obtaining US $2.4m by deception from Postel Investment Management by purporting that shares in Duralite Manufacturing were shares in a properly constituted company with assets of more than $20m.

Mr Johnson is also charged with being party to the business of stockbrokers TC Coombs to dishonestly manipulate trading in the shares of Coastline Petroleum.

Complaints rise against police

The Police Complaints Authority handled 7,953 complaints last year, up 9 per cent on the previous year, but serious cases referred to the PCA dropped by 15 per cent to 4,330. The most common complaints were of assault, incivility, irregular procedures and neglect of duty. One in ten cases resulted in some form of action being taken.

NHS pay deal

National Health Service blue-collar workers have accepted a pay offer worth 4.9 per cent on the pay bill. The 180,000 workers, who include domestics, porters, catering and laundry staff, will have their increase backdated to April 1.

RECRUITMENT

JOBS: Efforts to define the activities that make up good management have made little useful headway

As old as Solomon, but still a mystery

WHAT have human beings been doing at least since Solomon's time 3,000 years ago, without having a precise idea of how they do it? (Those last 10 words will hopefully have ruled out any pretext for lewd responses.)

The answer is something a lot of readers do for their near-living – to wit, managing. Solomon qualifies as a fellow practitioner by being on record as establishing elaborate trading systems as well as carrying through construction projects and moulding peace agreements.

But although what he achieved shows that he must have been a manager, how he achieved it is a mystery. And the same goes for his successors today who, whatever their achievements, can rarely if ever give a clear explanation of the various skilled things they did to accomplish same.

True, it's not something that often worries them. Being typically men and women of action, they are too concerned with getting results to bother their heads analysing exactly how they do so.

The trouble is that, as many have sadly discovered in the latest recession, there is an important difference between them and their managerial ancestor of the 10th century BC. Compared with the likes of Solomon, they are far easier to throw out of their job and, though perhaps more likely to live to tell the tale, most will still need to earn the odd crust to sustain themselves while telling it.

For managers who have suffered that fate, getting re-employed has probably never been harder. To judge by reports from redundancy counsellors as well as victims, with companies scrapping whole layers of management, recruiters aren't much impressed by career résumés listing posts held in organisational hierarchies, numbers of underlings and the like. Unless you're well connected or otherwise lucky, such evidence *that* you're a manager is no longer enough to win a new job. You must also be able to convey to employers *how* you can manage so as to justify your pay in their particular outfit.

Alas, the chances of a successful outcome are not improved by the fact that few companies themselves have a better than hazy idea of the detailed things their managers actually do – as distinct from those they're theoretically supposed to, at any rate. There is admittedly no shortage of knowledge about the latter. Indeed prescriptions abound, the only problem being that they do not always correspond with managerial work's complex reality.

Take for instance the formula, still taught in business schools, which was laid down about 75 years ago by the French mining engineer Henri Fayol. The essential activities of management, he declared, are planning, organising, commanding, co-ordinating and controlling – and there's no doubt that management can be thought of as compartmented in that way.

Whether it helps practitioners, however, is another issue. For one thing, it doesn't shed much light on how to do the five things it cites. So my own suspicion is that managers probably receive no more practical help from being taught Fayol's formula than Molière's bourgeois gentilhomme gained from learning that ever since his babyhood he had been talking prose.

In more recent years, of course, such prescriptions have become a lot longer, particularly with the past decade's vogue for dividing managerial work into so-called competencies (sometimes spelt "competences"). Hence it is too soon to judge the extent to which the elaborated versions are of use.

Even so, I at least doubt the sense of the more grandiose schemes to take management as a whole, wherever it's done, and split it into competencies ranked in importance, which can be tested for the award of certificates.

As for the more modest efforts limited to management in just a single company, albeit often big and widely diversified, time alone will tell. The only forecast I would venture is that the outcomes will hinge on the methods by which the competencies are identified.

If they're top-down assemblages, formulated by senior executives with or without the aid of research by external consultancies, my bet is that they will do more harm than good. But even bottom-up versions based on inquiries reaching down to the ranks immediately above the shopfloor, won't necessarily be any better. The key factor is probably how the inquiries are conducted.

All such exercises are prone to well known faults, including the tendency of prejudices on the part of those putting the questions to influence the replies and the way they are interpreted. Such observer-bias would look to be a particular danger in defining competencies – not least because managers, being sharply attuned political animals, are apt to respond in ways they think will be approved rather than with what they really think.

Fortunately, psychologists and the like have devised methods which reduce such dangers, one example having the drab title of Repertory Grid. First developed by an American called George Kelly in the 1930s, it is based on his "personal construct" theory. The idea is that from birth we piece together individual frameworks which determine how we see the world, each framework consisting of a set of yardsticks – or constructs – for judging what we experience.

As an illustration, legend has it that a certain British foreman had only one real construct for judging men. Those who wore polished black shoes with laces were good; those who didn't were evil. And although most people have a great many more constructs, each works in the same way by deciding whether things are importantly similar to one another, or different. Moreover, while the whole set will be exclusive to us individually, some of the particular yardsticks will also be used by other people.

The method seeks out the constructs with little observer-bias because Grid consultants ask no leading questions. They just write words on cards – say, "you" on one card, "me" on a second, and "the gatepost" on another – then put the trio before you and ask in which way you think any two of them resemble each other while differing from the third. There's no limit on how many stimulus words – known as "elements" – can be used, but they are always compared in threes, a pair against a singleton.

One psychologist using Grid to clarify what makes for effective management is Fay Fransella of the Centre for Personal Construct Psychology in London. She begins by getting top executives to name a sample of managers they think good and another sample they think otherwise. Then, without letting any of them know which group they're in, she runs them individually through the process using a common set of elements.

The result is a number of shared constructs on which the two groups significantly differ. For instance, a recent company study threw up three such constructs.

One was the extent to which the managers were able to stand back from the task-at-hand, and review their work in the context of the whole business. Next came the importance set on being always available to subordinates for consultation. The third was the emphasis put on understanding the jobs done by subordinates, so as to be able to control them closely.

"The way the sheep differed from the goats wasn't always as everyone might expect," says Dr Fransella. "Certainly, it was the effective group who stood back and reviewed a lot. But they didn't let their staff consult them about anything any time, as distinct from by appointment. And they weren't much concerned to understand the details of the jobs done below them.

"It was the poorer group who knew the nitty-gritty and made themselves always available. That's probably why they didn't have time for standing back and reviewing."

Michael Dixon

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Please send your C.V. to: Manager Commercial Research Metal Bulletin Research 16 Lower Marsh London SE1 7RJ

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If you are interested in this challenging role, please apply with your CV to Colin Campbell, Director of Personnel, Gartmore Investment Limited, PO Box 65, 16-18 Monument Street, London EC3R 8QQ.

Gartmore

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Write to: Box No A1835, Financial Times, One Southwark Bridge, London SE1 9HL.

ACCOUNTANCY COLUMN

Laying it on the line for future auditing standards

By Andrew Jack

A BOLD red line slices across the black and white cover of the exposure drafts issued earlier this week by the Auditing Practices Board. To certain senior accountants contemplating the birth pangs of the new standard-setting regime, *it represents more than* a simple design feature.

It was at an "awayday" conference for members of the Auditing Practices Committee at the Gatwick Hilton three years ago that Mr Graham Stacy, a technical partner with Price Waterhouse (and now representing the firm for its work as auditor to the collapsed Bank of Credit and Commerce International), purposefully picked up a red felt-tipped pen.

With it he drew a horizontal line across a blank flipchart. Above it he a placed a wiggly line, and on top of that a second straight line running along the peaks. The lowest line represented existing auditing standards; the middle one, the quality of auditing actually achieved by the large accountancy firms; and the top one, the firms' own *ideal standards*.

"Some members of the committee were arguing that we should set auditing standards very high to give firms something to aim for," he recalls. "I said the big firms always have to keep *their own standards far* higher, so even when they fall short of perfection, they are still clear of the minimum. Otherwise they won't be *able to survive*."

"Stacy's red line" – which has become part of the folklore at Price Waterhouse – has jumped sharply up the page following the publication of the first salvo of proposed documents from the Auditing Practices Board (APB) on Tuesday.

It also stands as a symbolic high-water mark below which the old Auditing Practices Committee (APC) has drowned. The APC may have seemed a significant step forward when it was created to draw up coherent guidelines in the late 1970s, but a *decade later it was looking very stale*.

That was the main conclusion of discussions held by the APC at the same Gatwick venue, and in a widely-leaked letter penned afterwards by Mr David Tweedie, the final chairman of the APC and now chairman of the Accounting Standards Board, and Mr Ian Brindle, his predecessor and now senior partner at Price Waterhouse.

The APC was underfunded, unwieldy and undemocratic. It was far too secretive in its operations. And its decision-making was continually being slowed down by its owners, the six members of the Consultative Committee of Accountancy Bodies: the Institutes of Chartered Accountants in England and Wales, in Scotland and in Ireland, the Chartered Institutes of Management Accountants and of Public Finance and Accountancy, and the Chartered Association of Certified Accountants.

The new, improved APB, which began operations early last year – looks in much better shape to address the *criticisms facing* auditors in the 1990s, even if it is still owned by CCAB. There are 18 voting members – of which half are not practising *accountants – and four observers*. A series of working groups is beginning to tackle an ambitious series of future auditing standards. "Exposing" the drafts for public comment and focusing on users of accounts as the APB's customer is a prudent if obvious step.

The process of producing in plain English just two types of statement – standards (which are mandatory) and practice notes (which are best practice on emerging issues) – is a welcome relief from the range of confusing edicts with varying degrees of authority that were loftily pro*nounced in the past*.

On the downside, criticism of the APB's tardiness in getting to work over the last year are somewhat petty. A more significant concern – how independent the body can be – can only be judged over time. But its refusal to tow the line of the accountancy firms – which argued against the expanded audit report it has now put forward – bodes well.

The new, improved APB looks in much better shape to address the criticisms facing auditors in the 1990s

In place of a meaningless, pro forma paragraph that has been almost universally ignored, the auditors' report in companies' accounts will from next year become a dense and detailed page *of text*, which users of financial information will do well to turn to very early in their perusal.

Some will see the proposals as defensive. Much of the text will still have a standard – albeit lengthier – format. A good chunk (if not provided elsewhere in the *accounts*) will spell out that it is the directors and not the auditors who are responsible for the accounts being true and fair.

The number of qualified audit reports (present in just 6 per cent of UK companies last year) is likely to fall, because auditors will no longer be required to qualify companies facing "material" or "fundamental" uncertainties in the following 12 months, provided they are satisfied that disclosure of these elements in the accounts is adequate.

That will at least ensure any *remaining qualifications* are unequivocal, rather than in terms of unqualified approval "subject to" certain items, as the current guidelines allow.

At least on paper, auditors are being given greater powers to actively use their skills to detect these uncertainties, and cast their judgment forward as well as back across the previous year to which the financial statements relate. While the qualification will be lost, the proposed audit report will have a section flagging the uncertainties in compensation. But that raises two potential difficulties.

First, the definition of "fundamental" is likely to generate intense debate. The draft guidelines cite examples such as cash flow problems, inadequate borrowing facilities, major litigation and large debts falling due. Assessment of their significance may well prove highly contentious.

Second, it will be difficult to tell how far companies will accept disclosure of these fundamental items in the new-style auditors' report. Theoretically, each would currently result in a qualified audit report. In reality, directors fight very hard to resist a qualification, and may have been able to conceal some important information from their shareholders up till now as a result.

The hope is that some of these *uncertainties that might previously* have just escaped attracting a qualification will now be clearly flagged. But companies may fight equally hard to prevent disclosure, arguing, for example, that it would jeopardise their commercial position.

A separate but vital point is the relationship between the APB and the Accounting Standards Board. The proposed auditing guidelines do nothing to clarify what constitutes "true and fair" in accounts. Until new ASB standards have dealt with what Mr David Tweedie calls "accounting fiddles", *there is little the auditors* can *do*. They can only be as effective as accounting standards allow, while finance directors hide behind these current standards.

That point is reflected in the preface to the APB's "going concern" draft, which calls on the ASB to develop a standard on the treatment of uncertainties. There is little sign yet that the ASB has taken the issue seriously in its own work programme.

A final problem is how the new auditing standards will be policed. Mr Bill Morrison, chairman of the APB, talks about a "twin barrel" approach. The Financial Reporting Review Panel is scrutinising companies, while the self-regulatory Joint Monitoring Unit of the accountancy bodies is watching the auditors, now armed with improved auditing guidelines.

Unfortunately, like the deliberations between auditors and their clients, a great deal of the regulatory process remains behind closed doors. Whether that is inevitable or even desirable, it does little to remove the suspicion of accountants and auditors by the outside world.

Users of accounts must hope that *Stacy's red line does not* open up new gaps below as it eagerly rises up the page of future APB documents.

ACCOUNTANCY APPOINTMENTS

EUROPEAN FINANCE MANAGER

London — To £35,000 + car

The European Division of a progressive US Engineering group, our client manufactures sophisticated instrumentation and control systems for the international automotive and aviation markets. It has ridden the recession well and now has positive plans to strengthen and grow its network of operations which are located throughout Western Europe.

Based in the small London Head Office, the European Finance Manager will work closely with the Finance Director and support him in a broad range of project work. This commercially oriented role will encompass the review of operational performance and business plans; systems installation; one-off investigations; capital expenditure appraisal and financial assistance at the subsidiaries.

Candidates, probably in their early/mid 30's, will be qualified accountants of graduate calibre. They should be computer literate and have solid commercial accounting experience gained in a substantial manufacturing environment. We are looking for a talented individual with well-developed communication skills and credibility at the highest levels. You should be familiar with US reporting procedures, available to travel at short notice and capable of working on your own initiative.

Please reply in confidence, giving precise career, personal and salary details to Paul Carvosso quoting Ref. L676.

Egor Executive Selection
58 St. James's Street
London SW1A 1LD

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Accountants
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Our client, a premier US Investment Banking House, seeks to appoint two qualified accountants to support its business in this *challenging* and demanding market place.

These financial accounting roles will involve preparation of periodical financial statements, monitoring of compliance in accordance with local regulations and tax administration.

It is envisaged that candidates will be of Swiss origin, familiar with local accounting standards and fluent in German as well as English.

Suitably qualified candidates seeking a challenging career with excellent remuneration prospects, should write in strict confidence to: Corinne Simmons (Ref. GR/97), Vine Potterton Limited, 152/3 Fleet Street, London EC4A 2DH. Please enclose a full CV and list separately any companies to which your application should not be sent.

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GAMES WORKSHOP LTD based in North Nottinghamshire is the worlds leading miniatures and hobby games company with an enviable record of *growth and achievement over the past 3 years. The business* designs, manufactures, distributes and retails all its own products.

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to strengthen the existing financial management of the Group and to provide a link between the Financial Director and the accounting function. The role may entail limited foreign travel as expansion takes the company into Europe.

A qualified Accountant, you will be seeking to broaden your experience in an all embracing financial management role.

Creativity, assertiveness, ambition and a proven record of achievement are essential for success in this young dynamic company. Two years PQE *(preferably outside the profession) is desirable.*

An excellent salary benefit package is available for the right person.

Please write in the first instance to Chris Prentice, Financial Director, including your C.V. and details of current salary,

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European Reporting Manager

Middlesex — c.£40,000

Part of a *highly* successful PLC, our client is a dynamic and growing company, with operations throughout Europe. It has grown steadily and this trend is expected to continue in future years in line with burgeoning demand in European markets for its high quality services.

Reporting to the Financial Controller, the Reporting Manager will assume responsibility for all management and financial reporting, including the development of systems and tools to support the function. As one of the main advisers to the Board, this role will require a dynamic approach to establishing and monitoring key performance measures of the trading operations throughout Europe. European fiscal and other financial accounting issues are also within the scope of this role.

Candidates will be qualified accountants who can demonstrate success in a similar role, preferably within a European setting. First class analytical skills, commercial acumen and the ability to get results in a fast moving, challenging environment are essential as are drive, determination and the will to succeed.

To explore this outstanding career opportunity, please reply in confidence, quoting reference 2111 and enclosing a full cv, to Frances A Bell, AAD Recruitment Consultants, 7 Curzon Street, London W1Y 7FL.

AAD *The Advertised Appointments Division of Odgers and Co. Ltd.*

Director of Finance

c£42,000 — London

Tourism

Tourism is one of Britain's largest industries—a sector that provides employment nationwide, that attracts foreign income and accounts for over 4% of GDP. The remit of BTA is the promotion of Britain internationally, and ETB the domestic marketing and development of tourism in England.

We are currently seeking a Director of Finance to join us to ensure sound financial management of both Boards and cost effectiveness and value for money throughout our diverse operations.

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This is a function that requires the development of a long term view and the evolution of guidelines and parameters for a devolved management structure. As such it requires a qualified accountant with exceptional management skills, preferably honed in a public sector environment. A record that includes corporate development, involvement with the private sector and a commitment to IT would be a distinct advantage.

As well as the opportunity to make a valuable contribution and to utilise one's talents in a worthwhile and interesting area, the position attracts a salary of c£42K and a range of benefits that includes performance related pay.

To apply, please write with your CV and current salary to
Graham Meaden, Assistant Director Personnel, BTA/ETB,
Thames Tower, Black's Road, Hammersmith,
London W6 9EL

BTA British Tourist Authority — English Tourist Board

FALMOUTH
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DIRECTOR OF FINANCE
Salary in excess of £28,000

Applications are invited for the post of Director of Finance. The School is a well established and highly successful Higher Education Corporation with an international reputation.

This is a challenging opportunity for a qualified accountant who will be responsible for all aspects of the School's financial management. Specific responsibilities include: management reporting and forcasting, planning and preparing the annual budget, preparation of the final accounts, and systems development. The current turnover is £4·9m and the existing support team includes a Management Accountant and four Finance Assistants.

You will be expected to contribute towards the long term strategic growth of the School. As a Senior Manager you must have good interpersonal and communication skills. An innovative, pro-active approach to work is essential.

The School has an excellent location in an environment of outstanding natural beauty..

Further information and application forms are available from Lorraine Smith, Personnel Administrator. Closing date for completed forms is 1st June.

Falmouth School of Art & Design, Woodlane, Falmouth, Cornwall TR11 4RA
Telephone: 0326 211077
Falmouth School of Art & Design is working towards equal opportunities for all.

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Due to expansion on the continent, 1992 Open Markets, and long term growth potential in Eastern Europe, a challenging new position has been created within this high profile entertainment and consumer products marketing company.

Reporting directly to the USA, you will have autonomous financial responsibility for current and future Euro-subsidiaries. Although based in London there will be significant short-term European travel.

"Hard-nosed", visionary and pro-active, you must be an ACA with at least seven years proven commercial experience. Ideally, with start-up and European exposure.

For an informal discussion in confidence contact Jeremy Preston : 071-636 7584 or 081-948 6336 (W/E or evenings).

ACCOUNTS 2000

Accounts 2000 Ltd, 11 Harley Street, London W1N 1DA. Telephone: 071-636 7584. Fax: 071-580 3734

Hanson PLC

Financial Comptroller

Hanson PLC requires an ambitious Financial Comptroller to join its small central management team based in London.

Hanson PLC is one of the foremost growth companies of the last two decades and is committed to a continuation of this growth both organically and by acquisition in the UK and the USA where half the group's businesses are located.

Many of the senior management positions in the group have been filled in the past from members of the central team and the position therefore offers enormous scope for an ambitious and energetic accountant.

The successful applicant, male or female, will be a chartered accountant, 30-35 with a good academic background and progressive experience in practice and industry.

A good salary commensurate with the job will be paid and generous fringe benefits, including car and share options are available.

Applications should be made to:
The Financial Director, Hanson PLC,
1 Grosvenor Place, London SW1X 7JH

FINANCIAL DIRECTOR

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Pilkington Communication Systems Limited (PCSL) is a wholly owned subsidiary of the Pilkington Group. PCSL is widely recognised as a leading provider of turnkey datacommunication systems. *During the past 5 years the company has* grown successfully to a turnover of £25m, mainly by providing high technology solutions to prestigious clients in the UK, USA and Europe. Our success has been achieved through a team of people who are bright, energetic, technically and commercially strong and totally committed to success.

We are seeking someone to join the *PCSL Senior Management Team*, who will have the drive and commitment to enable the business to achieve its full potential within the contracts environment. The successful candidate will be a qualified accountant and will be expected to provide strong financial and commercial leadership across the organisation. Substantial experience in a senior financial position in a company which undertakes contracts in the building and construction industry or similar is essential.

This is a senior management appointment, the remuneration package will reflect the importance of the role. A relocation package is available if required.

PILKINGTON

Please write, enclosing a full C.V., or telephone Sara Creer.
Pilkington Communication Systems Limited,
Kinmel Park, Bodelwyddan, RHYL,
Clwyd. LL18 5TY.
Tel: 0745 589252 or Fax 0745 589382

Price Waterhouse

EXECUTIVE SELECTION

Deputy Tax Manager

UK Multinational - Project based role

c£60,000 + benefits — **London area**

This £multi-billion turnover, UK based manufacturing Group is strongly diversified, acquisitive and has a solid profit record.

Historically, the Group has encouraged a creative and keenly proactive spirit amongst its tax specialists and as a result of growth and acquisitions, the role of the Group Tax function has increased significantly in respect of both UK and international work.

Consequently, an additional heavyweight calibre individual is now required to supplement this highly motivated team.

The role envisaged is a challenging one and provides tremendous opportunities to work at the heart of a major Plc. Essentially it will be project-based, providing close support to the existing Head of Tax and requires an active degree of involvement in the co-ordination of both the Group's UK and international tax strategies.

An unusual role such as this requires an unusual candidate. Probably a qualified accountant and graduate, you will have significant experience in both international and UK tax. You will have held a senior position in industry and now be seeking a move to a major Plc.

We are not seeking someone at home only in a bureaucracy. This role calls for a creative, enquiring mind - someone who can look around and beyond the obvious routes. In addition, you must be able to hold your own with Directors and Senior Line Management and share a vision of the dynamic and proactive commercial role which an effective tax function can adopt in the 1990's.

In return, this Group can promise that you will never be bored - rather, you will work in an intellectually stimulating and constantly challenging environment, at the cutting edge of commercial tax practice.

For an informal and entirely confidential discussion please contact Hamish Davidson on 071 939 6313. Alternatively write to him enclosing a full CV and quoting reference H/1257/FT at:
Executive Selection Division
Price Waterhouse
Management Consultants
Milton Gate
1 Moor Lane
London EC2Y 9PB
Fax: 071 638 1358

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South Bucks

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Future plans are equally dynamic and include:

- The establishment of a new Group Headquarters in the U.S.A.
- Projected flotation of the Company on a U.S. Stock Exchange.
- Formation of a South Buckinghamshire based European Headquarters operation in 1992.
- Establishment of new subsidiaries in Germany and Singapore in 1992 to increase penetration in the European and Far Eastern markets.
- Substantial organic revenue growth throughout the world.

These exciting plans have created the need to recruit two senior finance professionals. As key appointments, they are expected to lead to further prospects in the U.S.A., U.K., Europe and the Far East.

GROUP ACCOUNTING MANAGER

to £40,000 + Car

This new role will report to the Finance Director and will have specific responsibility for managing the Group Accounting function. Based in *High Wycombe*, duties will include:

- American Securities and Exchange Commission reporting.
- Assisting in the projected U.S.A. flotation.
- Monthly financial reporting and consolidation of subsidiaries results.
- Supervision of the Group Financial Accounting function.
- Annual statutory reporting to comply with U.S., U.K., European and Far Eastern legal requirements.
- Development of consistent Group reporting procedures and controls.
- Tax planning and investment management.
- Business analysis and investigations.

Applicants, aged 28 to 35, must be graduate accountants with either an ACA or CPA qualification. Exposure to international accounting issues is essential and must include practical involvement in American SEC reporting.

FINANCE & ADMINISTRATION MANAGER

to £35,000 + Car

This new role will have overall responsibility for financial planning and control of the Group Research and Development Centre, based near Amersham in Buckinghamshire. Responsibilities will encompass:

- Strategic and operational business planning.
- Financial evaluation of alternative product and technology investment projects.
- *Installation of management reporting and costing techniques.*
- Development of computerised information systems.
- *Supervision of site finance and administration functions.*
- Financial accounting for the R&D Centre.
- Provision of commercial advice and support to senior R&D Managers.

Candidates, aged 28 to 35, must be graduate qualified accountants with management accounting and systems experience gained in a manufacturing or project driven environment. Strong intellectual abilities should be combined with good interpersonal skills and a *flexible approach to problem solving.*

Applicants should write, enclosing a Curriculum Vitae and details of current salary, to:
Peter Ward ACMA, Martin Ward Anderson, Lords Court, St Leonards Road, Windsor, Berkshire SL4 3DB.

MARTIN·WARD ·ANDERSON·
FINANCIAL RECRUITMENT CONSULTANTS

* Source: The Independent on Sunday 12.4.92.

SAFEWAY

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Our client, Safeway PLC, the main trading subsidiary of the Argyll Group, is the third largest food retailer in the UK, boasting annual sales in excess of £3.5billion. Consistent achievement of ambitious growth plans has been well documented, praised by independent observers, recognised by investors, and deeply envied by competitors. There are many examples of companies which have failed to meet the demands and complex management tasks of recent years - Safeway is not one of them.

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A *new role, that of Commercial Controller* for each region, has been identified as the next key stage of dynamic improvement. Reporting directly to the Regional Director and a strong 'dotted line' to the Retail Administration Director, critical influence over regional performance will be exercised through financial and commercial responsibilities. Supervising a team of four, principal duties include the provision of support, information and guidance in the following areas:

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- Co-ordination and performance analysis of the regional profit plans and budgets.
- *Problem solving and the identification of commercial* opportunities, steering Regional Management towards a greater appreciation of financial and performance issues.
- Systems maintenance and procedural administration.

The role requires communication and contact with many key non-financial managers, both Regionally and at Head Office.

Suitable candidates are likely to have a minimum of two *years post qualification experience in a leading retail or* FMCG environment, where they have shown a significant contribution to the business. Additionally, qualities of innovation, resourcefulness, diplomacy, persuasion, communicative skills and strength of character must be displayed, together with a strong and urgent sense of commercial awareness.

On offer is not just an excellent remuneration and benefits package but the opportunity to play a vital and pioneering role in the future of this exciting, dynamic, and highly successful company.

Interested applicants should write, enclosing a comprehensive curriculum vitae and stating their preferred location, to **Renny Hayes BA ACA** at **Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berks SL4 6BW.** Please quote reference: FORH.

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
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European Operational Audit

Global Multinational

S.W. London

ACA/ACCA/ACMA (2-3 years PQE)

£ Neg + Car + Benefits

As a world leader in international commodity trading, manufacturing and raw products processing, our client has retained its position through its ability to develop new and more effective ways of bringing basic goods and services to consumers throughout the world.

Recent internal restructuring has generated the need to recruit an individual to assume a management role within the European Operational Audit Team. The Department has responsibility for reviewing procedures, controls, the integrity of results and ad hoc projects as requested by Country Controllers.

The successful candidate will be based in S W London but will be expected to travel throughout Europe for approximately 25% of the time. Acting as a link between Senior Management and the *Operational Audit Teams the position is extremely proactive and* high profile. This role is seen as an excellent entry point before moving into other areas of the group either in the UK or overseas.

This opportunity will appeal to a qualified Accountant with 2-3 years post qualified experience either in Public Practice or Commerce. The ability to speak a second European language would be an advantage but it is not a necessity. An aptitude to communicate at all levels and the desire to pursue an international *career in a highly successful company is essential.*

Benefits include an attractive remuneration package, company car, the opportunity to gain senior management exposure and develop an outstanding career based entirely on merit.

For further information in strict confidence contact Robert Walker *or Brian Hamill on 071-287 6285 (evenings and weekends 081-977* 2603). Alternatively, forward a brief resumé to our London office quoting Ref: RW 1260.

WALKER HAMILL

Financial Recruitment Consultants

29-30 Kingly Street
London W1R 5LB

Tel: 071 287 6285
Fax: 071 287 6270

Group Financial Controller

North of London

c £42,500 + Bonus + Car

Our client is a highly profitable, acquisitive plc, operating internationally in the design and manufacture of advanced electronic engineering products. Group turnover is approaching £175m and is expected to grow substantially over the next five years.

The Group Financial Controller will be responsible for managing the financial infrastructure of the business during a period of significant expansion. The brief will cover all aspects of management and statutory reporting, treasury, taxation and systems development. Particular emphasis will be placed on the provision of financial advice, guidance and leadership to operating company management, in both existing and newly acquired subsidiaries.

Candidates, aged up to 35, should be qualified accountants who can demonstrate a strong track record of achievement, gained in a well managed manufacturing/engineering environment. Excellent communication and interpersonal skills, coupled with above average intellect and strong personal drive, are essential requirements.

Relocation facilities are available where appropriate and interested applicants should forward a comprehensive curriculum vitae, quoting **ref: *2655***, to ***Alan Dickinson FCMA*, Executive Division, Michael Page *Finance, Page House, 39-41 Parker* Street, London WC2B 5LH.**

MP

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EFFECTIVE NEGOTIATING

Dealing with Difficult Negotiators

on Tuesday 2nd June 1992
At The London Marriott Hotel, Grosvenor Square, London W1 8.15am - 9.30am

Profits are earned because you negotiate for them, not because you deserve them. In the quality-conscious *market of the 1990's, a winning product* is not always enough. Careful negotiation makes you more effective in getting what you want in a competitive environment and keeps you in the driving seat. Poor negotiators damage good businesses and ruin those in trouble.

Gavin Kennedy looks at negotiating styles and focuses on getting the upper hand of the aggressive and difficult negotiator. His talk will cover:

- Not giving in under pressure - what to do and what to avoid when under attack from a bullying and intimidating negotiator.
- How to cope with negotiators who are covert cheats - how to reveal the 'cheat's' true intentions and protect your own interests.
- How to develop confidence and adopt an assertive style to cope with competitive manipulation.
- Tactics, ploys and gambits - how to neutralise tactical manipulation - *applying the Conditionality Principle.*

Gavin Kennedy is Managing Director of *NEGOTIATE LTD and a Professor at the* Esmee Fairbairn Research Centre, Heriot-Watt University. Formerly a Professor in the Dept. of Accountancy and Finance at Heriot-Watt. Gavin also taught at the University of Strathclyde Business School. His books on Negotiating include: 'Managing Negotiations' (co-author) (1980), 'Everything is Negotiable' (1983), 'Negotiate Anywhere' (1985), 'Superdeal: How to Negotiate Anything' (1986), 'The Economist Pocket Negotiator' (1988), 'Kennedy's Training Exercises in Negotiation' (1991), 'Kennedy on Negotiation' (1992). His books have been translated into Dutch, German, Swedish, Spanish, Chinese, Japanese and Portuguese.

Places at the Breakfast are strictly limited.

If you wish to attend this free breakfast, please write to Rachelle Nelson at Robert Half, Freepost, Walker House, 418 The Strand, London WC2R 0BR. (Telephone: 071-836 3545)

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THE HUMAN FACTOR

MAJOR INTERNATIONAL GROUP

International Taxation Accountant

London

£31,000 + Car + Benefits

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An exciting opportunity has arisen to join their international tax function which has responsibilities for the group's worldwide tax strategy. The role involves primary responsibility for analysing the financial *information of the company's foreign operations in* order that the company complies with its reporting and compliance requirements. There is also significant scope to play a proactive role in formulating worldwide tax planning.

The successful candidate will be a qualified accountant with three to five years tax experience gained within an international firm or organisation. Exposure to *international tax issues, particularly with regard to* US multi-nationals, is advantageous, but not a prerequisite. Candidates must have proven technical, interpersonal and commercial skills and will have displayed a high degree of responsibility and initiative in their career to date.

Interested applicants should forward a full curriculum *vitae to* **Chris Nelson, Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LH. Tel: 071 831 2000. Evenings and weekends call 081 785 6191 (ansaphone).**

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Interested applicants should send a detailed CV, or telephone for further information and a personal history form to Mrs M Crudgington, Group Personnel Manager.

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DIRECTOR OF FINANCE

LONDON

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British Red Cross

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Please write enclosing career details to Rosemary Hamilton at Grant Thornton, International House, 7 High Street, Ealing, London W5 5DB. Alternatively please call her on 081-566 5900.

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REVIEW OF UK SENIOR FINANCIAL APPOINTMENTS

Over 12,000 senior executives, predominantly Managing Directors and Finance Directors, received the Autumn 1991 issue of this series of publications. The Spring 1992 issue is currently in production and will be available in May.

Compiled by Michael Page Finance, in conjunction with the Financial Times, this Review is the only comprehensive analysis of its type. It is an essential aid to manpower planning and budgeting, the determination of recruitment personnel and salary policies, and provides an immediate, up-to-date guide to the financial recruitment market.

Its contents include the identification of salary levels and recruitment volumes within the accountancy discipline, analysed by sector, size of company, level of appointment and geography. Comparisons are provided which demonstrate trends on an ongoing basis.

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If you did not request the initial Review, but would like to consider the publication's relevance to your organisation, we will be pleased to send you a complimentary copy of the current issue.

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Group Financial Controller

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Appointments Advertising appears every Wednesday and Thursday and Friday (International Editon)

Paris: a tale of two halves

The government is trying to tilt the city's axis to the east in an effort to spread wealth to a deprived part of the capital, which suffers from industrial dereliction and the concentration of decision-makers in the west. To help the process, it is prepared to move one of its key government ministries to the east. But the project's momentum is threatened by the poor state of the market after a fall-off of demand and a surge in building following a relaxation of controls.

By Vanessa Houlder

The description fits both London and Paris. This tale of two cities contains many parallels, although the contrasts are perhaps even more striking.

Tax incentives and laissez-faire planning policies have been at the heart of developing London's east end in recent years. The development of Paris, however, is being forged by a policy of interventionism, extravagant government gestures and partnerships between the public and private sectors.

As with London, the need to regenerate eastern Paris was recognised by the authorities in the 1970s. But it was not until 1983 that the Council of Paris drew up its planned programme for east Paris. The proposals have been reinforced with the region's structure plan, the *Livre Blanc*, published in 1990, and blueprints drawn up by Mr Jacques Chirac, the mayor of Paris, which featured 'Zacs' – partnerships between the public and private sectors.

Both London and Paris have been confronted with the challenge of changing the image of their eastern districts. In spite of being close to the heart of Paris, the eastern *arrondissements* of the city have more than their share of urban blight, poor housing and high unemployment. Although the eastern *arrondissements* are not as cut off from the centre as London's Docklands, there is a need for improved transport. A new metro will be completed by 1996, cutting the journey from Bercy to Gare St Lazare from 20 to 6½ minutes.

In Paris, some grand projects, most notably the new opera built on the site of the old Bastille railway station, created a wave of publicity.

Yet more publicity was generated with the launch of the Seine Rive Gauche development, a new business district which will eventually stretch along both banks of the Seine in the 12th and 13th *arrondissements*.

Developers are also trying to inject some life into the area. Bercy village, which is due to be completed in the next two years, is a shopping district located in renovated wine warehouses and their vaulted cellars, with more than 100 restaurants and boutiques.

Perhaps the most significant development has been Euro-Disneyland, 32km to the east. Many French people are sceptical about its influence, but its supporters believe that the publicity before its opening earlier this year and the sheer number of visitors will be a huge boost to the eastern side.

The government has moved its ministry of finance from the Louvre to a huge edifice in Bercy. In spite of the architectural merits of the Bercy premises, the move was not welcomed by officials. "It is rather like taking the UK home office to Croydon [in south London]," says Mr Robert Waterland, president of surveyors Jones Lang Wootton, Paris.

Bercy has yet to win the hearts of Parisians. Changing the character of an area and the preconceptions of its citizens takes time. The growth of the east will also be affected by the fall in the Paris property market. "The east is in danger of losing its economic edge," says Mr Waterland.

The Seine Rive Gauche scheme resulted in a bout of speculative fever in 1988-89. "In anticipation of the success of the project, developers were quick to buy sites in surrounding areas, trusting that the idea of a new office pole would be enough to attract occupiers. In a less buoyant market, however, take-up has been lower than expected," says Jones Lang Wootton.

If the intention of moving the finance ministry to Bercy was to establish a new financial district in the area, the task is likely to be a lengthy one. Société Générale, the French bank, had been interested in relocating to another development area on the left bank of the Seine, but it could not reach agreement on the price of land and so decided to move to La Défense.

But it would be a mistake to underestimate the government's powers of persuasion. While the UK government has used rates holidays and tax breaks – with mixed success – to develop London's Docklands, the French government has rather more direct influence over company relocations. Tenants need to win official approval before they take on large amounts of new space. Moreover, developments on the western side of Paris are being discouraged. In 1988 Mr Michel Rocard, then prime minister, announced measures to favour the less sought after eastern suburbs of Paris, away from the popular area of La Défense.

Grand intervention: the Grande Arche de la Défense in Paris

"Ten years from now it will be comparable to La Défense," says Mr Jean-Pierre Hennequet, managing director of the New Bercy project, which comprises Bercy village along with 50,000 square metres of offices, a food and drink trade centre, a hotel, conference centre and cinema in the old wine district.

The comparison is pertinent. Indeed when London and Paris compare notes, the parallel is usually drawn is between La Défense and Docklands.

La Défense, like London's Docklands, is seen as a less expensive alternative to the central business district and, like Docklands, it has not always had an easy ride. However, there the similarities end. The French government has had a hands-on involvement with the project, most notably with its generous provision of transport links.

The origins of La Défense date back to President Georges Pompidou, who was keen to develop a business capital, partly, it was said, in a bid to accommodate the offices of the European Community.

The plan was slow to get off the ground. "After the oil slump of the 1970s it was a disaster," says Mr Colin Bird of DTZ, the international agency of surveyors Debenham Tewson & Chinnocks. "We were trying to let buildings at rents that would cover the service charges."

Since then La Défense has taken off: it is prestigious, well connected and cheaper than the central business district, where the typical office building is more than 100-years-old and lacks large floor spaces and air-conditioning. "It has a good image, better than the Golden Triangle [the area at the heart of Paris] in some respects," says Mr Jean-Pierre Pajon of Gleeds, a long established UK firm of quantity surveyors in Paris.

When the US brokers Salomons visited *La Défence* it was impressed with its list of prestigious tenants. "If Brussels is the political capital of Europe, then La Défense is the corporate capital of modern Europe," it concluded.

La Défence is not to everyone's taste. It is often described as a concrete jungle; many Parisians shudder at the idea of living there, even though it has some 200 shops, 20 restaurants and nine cinemas.

The most recent example of government intervention in Paris is the Grande Arche de la Défense. This hollowed-out cube would easily accommodate Notre Dame and its towers. Its alignment with I M Pei's glass pyramid in the courtyard of the Louvere museum, the obelisk of the Place de la Concorde and the Arc de Triomphe adds to its monumental qualities.

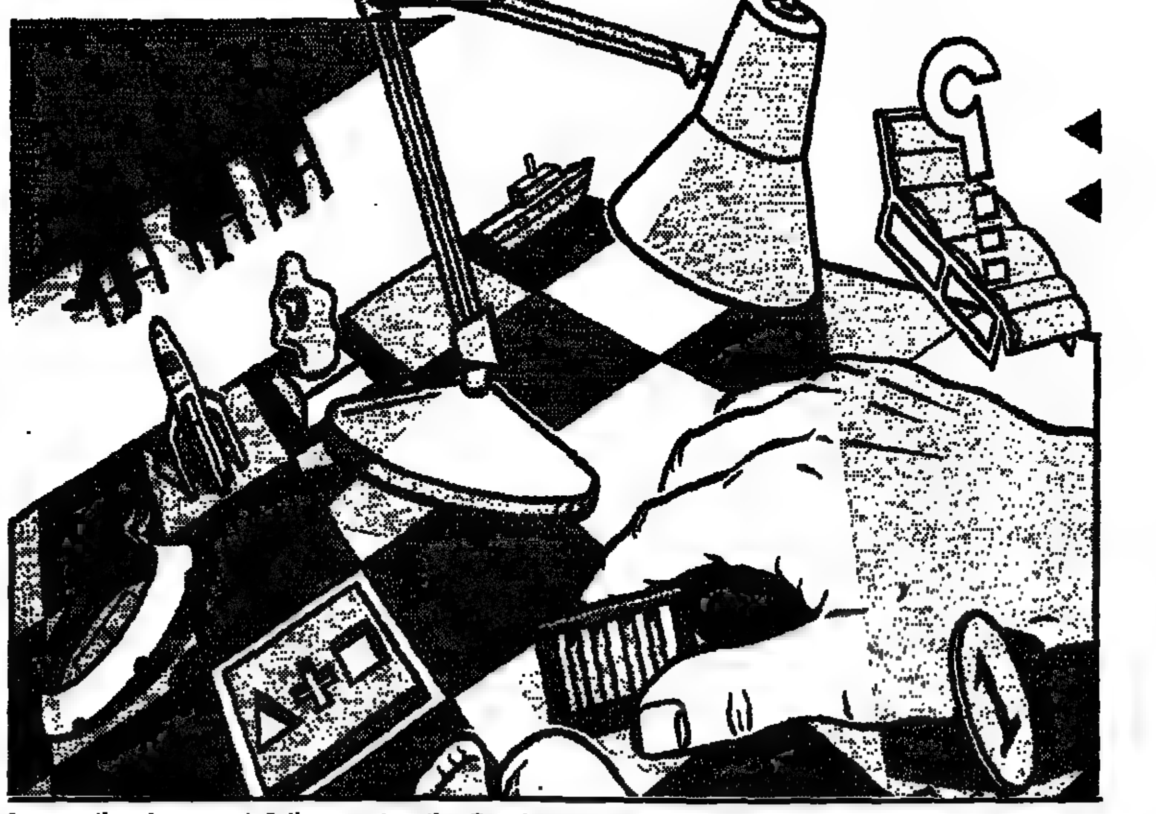
In spite of its emphasis on the development of the east, the French government has not turned its back on La Défense. In August 1990 it unveiled a Fr10bn urban development scheme that will double La Défense's surface area and extend the thoroughfare starting at the Louvre museum a further two miles past La Défense. The emphasis will be on housing.

Paris is currently an unlikely model of planning and development. The city has been hit hard by the slump in the property market, following temporary planning deregulation in the mid-1980s which led to an increase in supply.

None the less vacancy rates are among the lowest of any European capital at less than 5 per cent. And by avoiding the laissez-faire policies of other European markets, Paris has escaped the peaks and troughs of the US and UK. On current evidence, the regeneration of the French capital's eastern districts is likely to be more successful than the comparable efforts in London.

Breaking the taxman's code

Virginia Rounding went through the hoops in an attempt to become a top civil servant. She found that her Renaissance concepts were not enough



Number 24 Whitehall has a daunting look about it. It is the home of the Civil Service Selection Board and the place where Britain's high-flying civil servants are chosen. I recently went there for a two-day programme of tests and interviews – in the hope of joining Her Majesty's Tax Inspectors.

Inside everything is painted an institutional dark green and most of the rooms are empty. The first test is to find the third floor common room – not easy as the door is closed and displays an arrow pointing somewhere else.

Inside, two rows of armchairs face each other and are gradually filled by nervous-looking applicants. Most look like recent graduates, in their first suits, and there is only one other woman. No one speaks.

At 9am, the CSSB administrator arrives with a silent colleague who hands out badges displaying our names and numbers as well as a clip-on lunch pass. We are led off for our first assignment.

This is called "Biographical Information". After filling in our CSSB number, we have 35 minutes to write about our leisure pursuits, important memories, our regrets, and experiences that have marked us. We have to describe ourselves as both our best friend and worst enemy might see us. There is also the usual Civil Service interest in parental places of birth, ages at death and so on.

At this point we are told about the competition. There are 15 vacancies this year; there were more than 2,000 applications and we are now in the last 75 to 100.

Next we have coffee and rather nice biscuits while we meet our assessors – the chairman, an "observer" and a psychologist. We are put in groups of four and sit round an oblong table, while the three assessors look on silently.

The observer selects a topic – "Should boxing be banned?" – and we discuss it while the assessors take notes, their faces betraying nothing. Without warning, the observer changes the subject: "Will universal peace ever be attained?"

Ten minutes later we are sent back to the test room. Each candidate is given a dossier entitled "Sink or Swim".

The problem is centred on a fictional shipyard – Hopper Ltd which is experiencing problems. Three options are available: to let Hopper go bust and buy from the US the Navy supply vessels that it makes; to save the yard with an injection of public funds; or to let a Far Eastern company buy it. Candidates have two hours to write an analysis and recommendation for "our minister".

This takes us up to lunch, when most of us decide to avoid the subsidised restaurant – wisely, we gather from those who do try it.

The afternoon begins with the first of the "cognitive" tests. Rather like Mensa intelligence tests, these are supposed to introduce an objective element and have to be completed at great speed.

Next, we write a letter on behalf of our "minister" giving a diplomatic response to somebody who has been laid off at the shipyard.

My last assignment of the day is an interview with the psychologist. She is friendly, but I leave with the impression that she finds me odd. There is no-one in the common room, so I remove my badges and go home.

The next day is a similar mixture of tests, group work and interviews; by now there is a certain camaraderie among the candidates. The first part of the morning is taken up by an exercise in which we each chair a 15 minute meeting. In the first session, we pretend to be embassy staff at an emergency meeting called by the British Ambassador to Batrakia. The prime minister is arriving tomorrow, but British sailors have been disgracing themselves and are now in jail. Local and British journalists are writing inflammatory copy. Our job is to tell the PM whether to come.

Next we weigh the pros and cons of spending £50,000 on a park for the disabled rather than a sculpture called "The Hulk", and discuss the merits of a football stadium on the site of the defunct Hopper's Shipyard. The assessors remain impassive.

Today's cognitive tests are horrible, especially the one where you have to fill in the missing domino in what look like increasingly random patterns. But the young man next to me finishes early and sits ostentatiously creaking his shoes.

There remain the interviews with the observer and the chairman. With the observer, a civil servant from another department, I discuss creeping privatisation in the NHS and the merits of the National Curriculum. The chairman, a retired tax inspector, seems in reflective mood and we end the day discussing the Renaissance concepts of *decoro*, *sprezzatura* and *grazia*.

And that's the last I hear from CSSB – until a week later when I receive a two-line letter saying I have not been selected for appointment as HM Inspector of Taxes. Oh well, I never did like playing dominoes much.

The author has returned to her job as an administrator of The Consort of Musicke, an early music group.

Christopher Lorenz explains why Nestlé is moving the head offices of some of its businesses

A change of address on Quality Street

Very few multinationals have yet taken the radical step of shifting the global headquarters of one or more of their businesses out of the parent company's home country. The best-known to do so is IBM. Late last month the select band was joined by Nestlé. In the wake of its controversial takeover of Perrier, the Swiss food group made the astute move of announcing that the HQ of its mineral water business would be transferred to France.

Yet only a few months earlier, Nestlé made a quiet shift in precisely the opposite direction with another high-profile business, confectionery. It unwound an international strategy group for confectionery which, as part of its politically-sensitive acquisition of Britain's Rowntree in 1988, it had established with leadership in York, Rowntree's headquarters in northern England.

In one sense, the unwinding of the York arrangement was only to be expected: Nestlé has a managerially sensible (and politically convenient) habit of allowing its acquisitions a long leash while both sides get to know each other. It tends to integrate them fully into its organisation only after three years or more. Yet cynics might claim that Nestlé has broken the promise it gave to the citizens of York, and Rowntree's more chauvinistic shareholders, at the time of the 1988 takeover bid.

The reality is both more straightforward and more complicated.

It is more straightforward in two senses. First, any feeling of betrayal should be removed by the fact that the confectionery strategy shift, from York to Nestlé's headquarters in Vevey on Lake Geneva, was advocated strongly by its English ex-Rowntree management, who found the original arrangement difficult and exhausting to manage.

Second, mineral water and confectionery are two very different cases. The former is a much newer and less well-developed business for Nestlé than was confectionery, and much more based in one country, with only a handful of export markets. Perrier also dwarfs Nestlé's existing businesses in the field, whereas Rowntree merely doubled Nestlé's existing chocolate interests. The French HQ could, therefore, prove longer-lasting than was the York-led strategy group.

There are also two main reasons why the reality of the York group's unwinding is more complicated than it might seem. First, the confectionery unit's staff were never all based in York, as many outsiders thought. Four-fifths of its 60-plus staff worked in Switzerland under the leadership of the Rowntree boss in York.

Second, the unwinding of the confectionery strategy group occurred last autumn not in isolation, but as part of a radical reorganisation of Nestlé's corporate HQ. Among other things, this involved the creation of a set of "strategic business units" (SBUs) in Vevey for each Nestlé business. Many of the tasks of the former confectionery strategy group have now been subsumed into an SBU which covers confectionery and ice cream, with a staff of only about 20. York still plays a special role within Nestlé, since a much-expanded research and development centre there has retained the lead international responsibility for Nestlé's chocolate R&D.

The new SBUs are intended to be a head office counterweight to Nestlé's independent-minded national operating companies. But why was the strategy group so difficult to run from York in these days of electronic communication and regional jet flights?

Two men, above all, can explain the chocolate rethink. The first is 48-year-old Peter Brabeck, an Austrian who recently joined Nestlé's group management. He now supervises, among other people, the heads of four SBUs, including the confectionery and ice cream unit (its head is an ex-Rowntree Briton).

Having had several years of bitter experience trying to co-ordinate Nestlé's Buitoni pasta business in the late 1980s, when it was still being run from its original Italian HQ, Brabeck declares that "you can't physically devolve yourself from the power circle in Vevey: that's where the shoulder-rubbing has to take place".

This is precisely what the second key player in this drama, Peter Blackburn, found when he ran the confectionery strategy group for two exhausting years. "Ran" is very much the operative word.

Blackburn, a Rowntree man for 20 years, took over chairmanship of the strategy group in May 1989. "I got increasingly sucked into Vevey because of the need to talk to the various regional managers, and to all the corporate functions and services," he says.

"I travelled there two or three times a month for between three and four days. It took me seven or eight hours just to do the one-way journey." On top of that, he had to travel the world.

Within a year, he told the Nestlé top brass in Vevey that when the time came to hand the strategy job over, "my successor mustn't be put in York". That change occurred in 1991 when Blackburn moved to London to become head of Nestlé UK (which now includes Rowntree).

Even after everyone had got to know each other, "things wouldn't have improved materially," says Blackburn. "I don't believe in electronic communication: face-to-face discussion is vital, especially in a group the size of Nestlé". This principle is very much encouraged within Nestlé – even if it creates for some top managers a hectic, Blackburn-style travel schedule.

Could a new head of the strategy group not have moved to Vevey, leaving some subordinates in dispersed locations such as York? On the same principle, why not base the heads of the new SBUs at Vevey, but leave some staff in York and elsewhere?

Peter Brabeck points out that, if Nestlé's new structure is to work smoothly, all SBU staff – not just their heads – need to have close contact with staff in the various regional units based in Vevey.

There is also a strong internal logic, within each SBU, for everyone being co-located: the need to turn previously separate functional specialists from marketing, production and so on into a really integrated team. Even as things stand, Brabeck says the SBU heads and the managers immediately beneath them will have to spend up to half their time travelling away from base.

LEGAL NOTICES

Notice of Creditors' meeting
PEARCE & CUTLER GROUP LTD
PEARCE & CUTLER WINDOWS LTD
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PEARCE & CUTLER ALUMINIUM SYSTEMS LTD
KINGLESWAY LTD
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NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above companies will be held at The Grand Hotel, Colmore Row, Birmingham on 21 May 1992 at 11.00 am for the purposes of having laid before it the report prepared by the Joint Administrative Receivers in accordance with the said act and, if thought fit, appointing a Committee. Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the companies as a security held by him (unless that other person is subject to bankruptcy order or in liquidation). Creditors wishing to vote at the meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row, Birmingham, B2 5JT no later than 12 noon on 21 May 1992. Forms of proxy, if intended to be used, must also be lodged with us by that time. (Faxed copies are not acceptable.)
Dated this 8 May 1992
Signed Ian N Carruthers and David R Wilson
Joint Administrative Receivers

In the matter of the Insolvency Act 1986
ELKO ELECTRICS (MAIDENHEAD) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of Creditors of the above named company will be held at the offices of Cork Gully, 9 Greyfriars Road, Reading, Berkshire, RG1 1JG on 22 May 1992 at 11.30 am for the purposes mentioned in Section 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge at the offices of Cork Gully, 9 Greyfriars Road, Reading, Berkshire, RG1 1JG on the last two business days prior to the meeting. Creditors wishing to vote at the meeting must (unless they are individual creditors attending in person) lodge their proxies at the offices of Cork Gully, Abacus Court, 6 Minshull Street, Manchester, M1 3ED no later than 12 noon on 21 May 1992.
Dated this 8 day of May 1992.
By order of the board

IN THE MATTER OF
THE INSOLVENCY ACT 1986
AND IN THE MATTER OF ARTHUR
BRAND LUXURY KITCHENS LIMITED

NOTICE IS GIVEN, pursuant to Section 105 of the Insolvency Act 1986 that a general meeting of the Members and Creditors of the above named company will be held at the offices of Cork Gully, Midland House, Notte Street, Plymouth, PL1 2EJ on 5 June 1992, at 11.00 a.m., and 11.15 a.m. respectively for the purpose of receiving an account of the Liquidator's acts and dealings and of the conduct of the winding up to date.
A M Grove Liquidator
Dated this 8 day of May 1992

Co. No: 1514345
ESSEX ALUMINIUM SYSTEMS PLC
Previous names: Fleurot Limited & Essex Aluminium Systems Limited.
Nature of Business: Aluminium Fabricators (3990). Liquidation by Creditors. Registered office: 9 Hall Road, Southminster, Essex CM0 7EL. Liquidator: Roger William Cork. Cork Gully, Shelly House, 3 Noble Street, London, EC2V 7DQ. Office holder no: 1853. Appointed 6th May 1992. Signed Roger William Cork
Dated 11 May 1992

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For further information contact the Joint Administrative Receiver, Mick McLoughlin, KPMG Peat Marwick, St Nicholas House, 31 Park Row, Nottingham NG1 6FQ. Tel: 0602 483444. Fax: 0602 483401.

KPMG Corporate Recovery

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The Joint Administrative Receiver,
Gibson Hewitt & Co.
Tel: 0932 336149
Fax: 0932 336150

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Chartered Accountants 5 Park Court, Pyrford Road, West Byfleet,Surrey, KT14 6SD.

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CONTRACTS & TENDERS

IN THE NAME OF GOD
INVITATION TO INTERNATIONAL PUBLIC TENDER

Sugar Cane and By-Products Development Co. affiliated to Ministry of Agriculture of the Islamic Republic of Iran (the company) intends to purchase, through international tender, seven similar sugar plants, each consisting of one 10,000 TCD raw sugar factory together with an integrated raw sugar refinery having a capacity of 60 percent of the raw sugar production rate to be established in Khuzestan Province of the Islamic Republic of Iran.

Machinery , equipment and utilities of the said plants have been divided into 21 sections and 21 separate tender documents including inter alia, instructions to tenderers, contract conditions, specification and drawings have been prepared accordingly.

Descriptions of the 21 tenders and the price of tender documents in U.S. dollars or Iranian rial are as follows:

Tender No.	Subject (for 7 plants)	Price of documents
1.	Weighbridges	US$400 of 580,000 Rials
2.	Cane unloading and handling equipment	US$900 or 1,305,000 Rials
3.	Cane preparation & milling plant	US$2,000 or 2,900,000 Rials
4.	Workshop equipment	US$1,500 or 2,175,000 Rials
5.	Juice weighing equipment	US$400 or 580,000 Rials
6.	Juice purification & heating equipment	US$1,000 or 1,450,000 Rials
7.	Evaporation plant	US$2,000 or 2,900,000 Rials
8.	Vacuum pans	US$1,500 or 2,175,000 Rials
9.	Crystallizers	US$900 or 1,305,000 Rials
10.	Centrifugals	US$1,400 or 2,030,000 Rials
11.	Refinery equipment	US$2,000 or 2,900,000 Rials
12.	Lime Kiln	US$900 or 1,305,000 Rials
13.	Final molasses handling & storage equipment	US$800 or 1,160,000 Rials
14.	Laboratory equipment	US$800 or 1,160,000 Rials
15.	Steam generation plant	US$2000 or 2,900,000 Rials
16.	Water treatment plant & firefighting system	US$800 or 1,160,000 Rials
17.	Powerhouse & electric distribution equipment	US$2,000 or 2,900,000 Rials
18.	Waste water treatment plant	US$800 or 1,160,000 Rials
19.	Raw and refined sugar warehouse equipment	US$900 or 1,305,000 Rials
20.	Heating, ventilation & air-conditioning systems	US$800 or 1,160,000 Rials
21.	Instruments & controls	US$1,200 or 1,740,000 Rials

Scope of works in respect of each section includes the manufacture and delivery of the machinery and equipment as per the prepared specification, supervision of their erection and commissioning as well as training of the company's staff.

Participation in each tender necessitates submission of a tender guarantee for the amount specified in the relevant tender documents.

Interested manufacturers and firms are hereby invited to participate in the above tenders. Eligible manufacturers and firms may choose to participate in the tender call for one or more or all of the 21 packages.

Tender documents may be purchased at the following place as of 20.05.92 until the close of working hours on 3.06.92 against presentation of the receipt for payment of the price of documents to acct. no. 100164 with Bank Saderat, Mostaghel Jomhoori Branch in foreign currency, or Account No. 42315 with Keshavarzi Bank, Dolati Branch, for the payment of said documents purchase price in Rials.

Sugar Cane & By-products Development Co.

Secretariat of the Transaction Committee, end of Seyyed Jamaleddin Assadabadi Ave., Brazil St. No. 60, Tehran - Iran.

Further information may be obtained by communicating via Telex No.: 212417 or Telefax No.: (98-21) 4660666 or Telephone No. (98-21) 625894 - 628833 - 624136

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Valuation Agent
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der Österreichischen
Sparkassen Aktiengesellschaft

TECHNOLOGY

Square pegs in round holes

Judy Dempsey finds that Russian tanks are having a difficult time adjusting to civilian life

For years, employees at the Lenin Engine Factory in Chelyabinsk, a sprawling, industrial city in the Urals, made tanks and tractors.

The plant, part of a complex of enterprises *set up by Stalin in the* late 1920s, was in a privileged position. Money flowed in from the ministry of defence of the former Soviet Union to support a sector which was designed to turn the Soviet Union into a great superpower.

Today *morale* at Lenin *is low.* Some of the production lines of an enterprise which employs 45,000 workers are making equipment for invalids.

As part of bilateral agreements in arms reductions between the US *and the former Soviet Union, and* unilateral reductions on the part of the Russian side, the factory can no longer afford to roll tanks off the production lines.

Funds, and orders from the ministry of defence, have been sharply reduced. *Many at the factory are* asking what impact these arms reductions will have their on their jobs. Indeed, many are asking if it is really possible to convert tanks into wheelchairs.

Oleg Guz, the 36-year-old manager *of the tractor floor,* recalls how the factory used to manufacture between 250-300 tanks a year. Now, he says, the assembly lines have to concentrate on making tractors, and finding ways to turn excess capacity into civilian projects.

"We *have* stopped making complete tanks here," explained Guz. "However, we are continuing to make parts for tanks, such as engines. The tanks are assembled at another plant. I cannot tell you how many engines the [Russian] ministry of defence have asked us to make for 1992. This is still classified information."

The plant first started the process of converting military equipment to civilian projects in 1989. But Guz said it could take three years to complete the conversion. "There is no method in the conversion. There is no clear sense of direction from the central authorities. I suppose we will have to rely on our own resources in the future, and keep whatever profits we make in the factory itself," he added.

Even if the plant continued to make tanks and weaponry, Guz now *recognises how the international* market for such machinery has become competitive. The performance of western tanks in the Gulf war was a salutary lesson for Russia's military establishment.

"It was embarrassing for us. *When we were producing the tanks,* we were just following orders. We had no information on the levels of western superiority and quality. We now realise we have to produce goods which are marketable. That's why we need some joint ventures with western firms. We need a sense of direction," said Guz.

Yuri Disilov, who has worked in the plant for 31 years, shares the same sense of uncertainty. "We never had to think about the future. Everything was controlled by the centre," he says."

Because of this uncertainty, the Russian government has earmarked credit and financial assistance for the sector. Andrei Nechaev, Russia's economy minister, explained how soft credits would be lent to certain enterprises specialising in the production of military equipment.

"To activate the process of conversion, we are going to lend Rb 42bn to some enterprises. This money will be used for special projects related only to conversion. All enterprises which do not have orders from the *state will* have to convert, or else they will have to be closed," explained Nechaev. State expenditure for purchasing arms in 1992 have been reduced by 50 per cent.

The minister added that the Russian government could not ignore the social repercussions arising from conversion, or the sharp reductions in arms production.

"Conversion brings lots of social problems. Sometimes, whole towns are based solely on production of military equipment. If you stop production, you stop the whole life of *the town.*

In order to guarantee some level of wages, and to cover social expenses, such as hospitals, housing and kindergartens which in the past have been partly financed by the profits of these enterprises, the government has already allocated Rb 40bn from this year's budget.

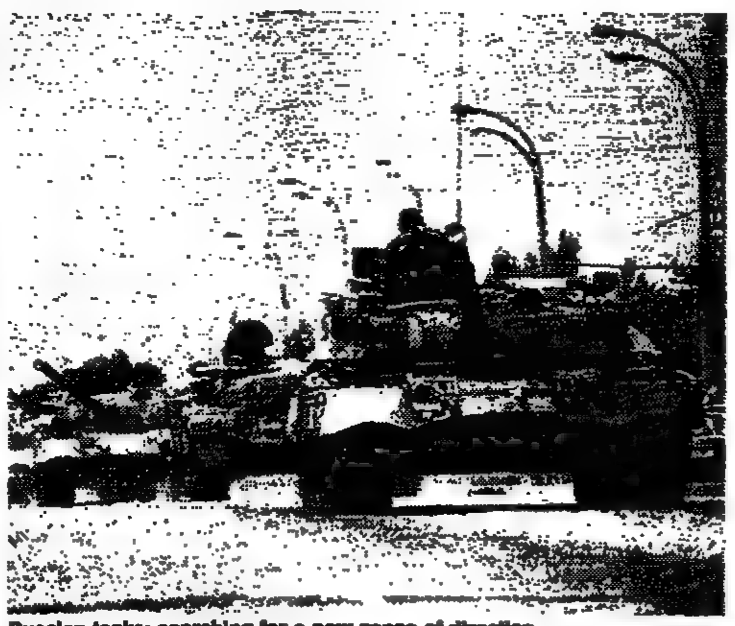
But for the workers at the Lenin *Engine Factory in Chelyabinsk,* Moscow, the seat of the Russian government, this is a long way off.

Sergei Mukharkin, co-chairman of the Union of Workers, an independent trade union, explained that sections of the management are not prepared *to respond to the changes* sweeping through Russian society.

"The situation here in the enterprises is confusing," said Mukharkin. "Our union knows that some of the management – still the same old communists because there has been no change in the personnel yet – are actually increasing the workers wages. This is pushing up the rate of inflation. I reckon this is an attempt to undermine the government's reforms," said Mukharkin.

He added that some workers have been *forced to sign contracts* agreeing to a shorter working week – with a corresponding cut in wages. "If they don't sign the contracts, they will get the sack," he said.

These claims confirm not only the sense of uncertainty and confusion *hanging over the military-industrial* sector as it tries to come to terms with the collapse of the Soviet Union, reductions in the defence budget and the need to convert and find markets for their products. They indicate potential areas of *social unrest for* a Russian government which is committed to a reduction in military production and spending.



Russian tanks: searching for a new sense of direction

Holiday snaps make TV debut

Another milestone in the onward march of multimedia will be passed in September with the worldwide launch of *Kodak's much-trumpeted Photo CD* system – conversion of 35mm photographs to digital images for display on televisions or personal computers.

By then, two years will have passed since Kodak announced the system, but William Jack, vice-president for worldwide electronic imaging systems and consumer imaging, stresses the US company has not been twiddling *its* thumbs.

What was a concept, based on an intensive 18-month effort pulling together all the technologies within Kodak, has become a product, with the help of know-how and hardware *from outside the company.*

In the intervening period Kodak has been talking to software suppliers, hardware manufacturers and systems integrators to establish the Photo CD standard.

"There are no obstacles to the broadest participation by photographic and consumer electronics companies in this one standard," *says* Jack.

The consumer wishing to playback photos, new or old, via Photo CD will be able to buy from three Kodak Photo CD players manufactured by Philips in Belgium. But the disks and players will be widely *available through the licensing of* Kodak software and the Photo CD trademark.

"You'll be able to read Fuji Photo CD on a disk, and all our photographic competitors will be aboard at the outset," says Jack.

For the computer market, which Jack sees as equally important and in many cases overlapping, the ease of access and use of Photo CD is particularly important, and is being addressed through Kodak's Photo CD Access development toolkit and software. Kodak's discussions have been helped by the computer industry's need for something new to *boost flagging* revenues.

In the high street, photographers will be able to pay £4.99 for a special Photo CD disk, and £7.95 for having 24 exposures written digitally on to it. Further exposures can be added, up to a maximum of 100. The Kodak *Photo CD players* will cost £299, £369, and £429 in the UK, and can also play audio CDs.

Ravi Khanna, the UK product manager for Photo CD, believes the mid-priced model, which has extra functions such as zoom, crop and rotate, will prove the most popular.

The Kodak system, along with other adventures into multimedia, has inevitably raised questions about consumer reaction. The advantage of the Kodak system is the simplicity of the system and the *fact that the camera itself* – and the routine visits to high street kiosks to get the film developed – is unaffected.

Whether consumers will pay to watch still pictures via Photo CD players when they could watch moving pictures via camcorders remains to be seen. Jack is increasingly confident that they will, but Kodak has also been careful to "future-proof" its investment – the picture quality is four times the standard that will be required for HDTV.

Andrew Baxter

Worth Watching · Paul Taylor

Fibre optics too hot to handle

Cheaper and faster monitoring systems for detecting fire or extreme temperature changes are promised as a result of a simple application of fibre-optics by Ericsson, the Swedish telecommunications group.

Normally fibre-optic cable is unaffected by heat or physical disturbance. But the company *has discovered that if the cable* is microscopically bent at specific points then it becomes sensitive to temperature change. This can be registered within seconds on a central computer.

The new method, dubbed the *Erica sensor, is particularly* suited to monitoring over large distances or areas. Applications are likely to include fire and entry alarms and monitoring systems for power distribution cables and large heating systems. Ericsson Network Engineering: Sweden, 468 764 0000.

Helping hand at the dinner table

Help is at hand for many thousands of disabled people who are unable to feed themselves, writes Andrew Baxter.

Handy 1, designed by Mike Topping, development manager at the University of Keele's rehabilitation robotics project, enables severely disabled people to eat unaided.

The product; a robotic arm with contoured spoon attached to an electronic control unit on an adjustable stand, allows users to eat at their own pace. A stalk switch mounted on a flexible gooseneck can be operated by *hand or head movements,* giving the user control.

Earlier this month, Handy 1 won the £7,000 Institution of Electrical Engineers Prize for Helping Disabled People. University of Keele, Case Unit: UK, 0782 712774.

Clean sweep for paint brushes

A new lick of paint around the *house may look good – but often* smells unpleasant. Rohm and Haas, the specialist paint pigment manufacturer, has developed a water-based emulsion paint which is low in ammonia odour and high in opacity.

The new low-odour pigment polymer, known as Ropaque OP-62 LO, is free from formaldehyde and is the latest development in the company's solventless acrylic chemistry.

Indoor and outdoor paints, from matt to gloss, can be made using the new polymer. Rohm and Haas: UK, 081 686 8844.

Sun shines on solar power

Solar photovoltaic cells, which convert sunlight to electricity, could provide an unlimited supply of non-polluting energy.

Sharp, the Japanese electronics manufacturer, has developed an improved *single crystal solar* PV cell with a conversion efficiency of 22 per cent, the first high-efficiency device of its type capable of being mass-produced.

The new solar cell results from improvements to the reflective back *surface of the cell. They* improve the reflectivity of the surface to 90 per cent and reduce the loss of electrons generated when sunlight is absorbed by the silicon substrate. Sharp: Japan, 06 625 3007.

Insect repellent goes tree climbing

Climbing insects, such as ants, can devastate a fruit crop. But an environmentally friendly device which claims to give nearly 100 per cent protection has been developed by Oecos, a Hertfordshire-based company.

The device consists of a 20mm thick foam trapping strip which compresses and moulds to the contours of the tree trunk. This is covered by a green *UV-degradable* band to protect it from debris and keep it out of reach of hungry birds. It is effective against winter moths, aphids, earwigs and spider mites. Oecos: UK, 0438 832481.

FT LAW REPORTS

No Mareva for bank collection

LEWIS & PEAT (PRODUCE) LTD AND OTHERS v ALMATU PROPERTIES LTD AND OTHERS

Court of Appeal (Lord Justice Parker, Lord Justice Stuart-Smith and Lord Justice Beldam): May 7 1992

MONEY IN the hands of a bank, collected by it as agent for another bank in exchange for bills of lading deposited by an exporter under an agreement by which export proceeds are to be credited to his revolving overdraft account, cannot be frozen by Mareva injunction in execution of judgment against him, in that it is not his property but is a payment to the principal bank entitling it to credit it to his account towards reduction of the overdraft.

The Court of Appeal so held when dismissing an appeal by the plaintiffs, Lewis & Peat (Produce) Ltd and others, from Mr Justice Gatehouse's decision discharging injunctions restraining the respondent, Midland Bank plc, from dealing with collected monies pending execution of judgment in an action against Almatu Properties Ltd and others.

LORD JUSTICE PARKER said that on March 13 1991, Lewis & Peat obtained judgment against three defendants one of whom was a Mr Musa K Suma, for a total of $1m.

They had been making urgent and energetic attempts to execute judgment by a combination of garnishee proceedings against various persons and Mareva injunctions.

Those attempts resulted in court orders which included a garnishee order *nisi* against Midland, and injunctions restraining Midland from dealing with the proceeds of sale of two cargoes of cocoa and coffee beans, after collection of those proceeds by Midland.

On June 20 1991, Mr Justice Gatehouse set aside the garnishee proceedings and discharged the injunctions against Midland.

He declared Midland was free to deal with the proceeds of sale in accordance with the instructions of its customer, the National Development Bank of Sierra Leone (NDB); and that NDB was free to give such instructions as it might see fit, including instructions to transfer the monies out of the jurisdiction.

Lewis & Peat sought to set aside discharge of the injunctions, and the declaration.

It was common ground that for the purposes of the appeal Mr Suma and Techprofit and Sumatu, two companies in Sierra Leone owned and controlled by him, were regarded as being in effect Mr Suma.

On November 12 1990, NDB granted Sumatu an overdraft facility of 32m Leones (£43,578) for 12 months.

The terms and conditions of the facility were that it should be on the revolving basis and that Sumatu would export all produce through NDB; and that the counter-value of the export proceeds in foreign exchange would be credited to Sumatu's account with NDB.

On February 1 1991, Lewis & Peat obtained an injunction against Mr Suma restraining him from exporting or dealing with coffee and cocoa. As a result, NDB wrote to Sumatu on March 15 calling for payment of the account.

On April 2, the two cargoes were shipped at Freetown, Sierra Leone. On April 5, Techprofit sent NDB a full set of shipping documents for each cargo with instructions to forward them to the buyer, Tagville Ltd, in exchange for £77,360 for the cocoa cargo and £104,369 for the coffee cargo, and on receipt of the export proceeds to credit Sumatu's account with NDB.

On the same day, NDB sent the documents to Midland "for collection of the proceeds from Tagville Ltd". The documents and covering letters were received by Midland on April 8.

But for the intervention of Lewis & Peat, those two routine documentary collections would have proceeded in the ordinary way. Midland would have collected the monies, credited them to NDB's current account and informed NDB.

NDB would then, in accordance with instructions, have credited them to Sumatu's account in reduction or extinction of the overdraft.

As a result of Lewis & Peat's intervention, operations had been held up. The collections had been made but had been credited to a separate interest-bearing account in NDB's name and frozen there by the orders which were discharged by Mr Justice Gatehouse. They were still frozen pending the present appeal.

The issues on the appeal were: (1) whether the sale proceeds were to be regarded in Midland's hands as an asset held on trust for or a debt due to Techprofit, or were simply a debt due to NDB; (2) whether the courts should treat documentary collections like bills of exchange or letters of credit as obligations to which the Mareva jurisdiction had no application, for the reasons given by Lord Justice Kerr in *Z v A-Z [1982] QB 558*; (3) whether the principle in (2) applied even to injunctions in aid of execution.

Mr Page for Lewis & Peat submitted that the answer to question (1) was that the proceeds should be regarded as belonging to, or as a debt due to, Techprofit/Sumatu/Suma, and that the answers to questions (2) and (3) should be "no".

The House of Lords decision in *Mackersy v Ramsay (1843) 9 Cl & F 818,844* presented Mr Page with insuperable difficulty.

The facts appeared from Lord Campbell's speech.

He said Ramsay & Co, as bankers, were employed by a customer to obtain payment of a bill of exchange drawn on a person in Calcutta, payable to their order. They were to receive payment of it for Mackersy, having a lien on the bill and its proceeds for any balance due to them from him.

Payment was to be made to persons to be employed by them, to whom the bill must be endorsed. Mackersy was not to interfere with the proceeds of the bill until he was credited.

Ramsay & Co employed as its agent Coutts & Co, which o employed Alexander & Co, which duly received payment from the acceptor and, having given Coutts credit in account, five months later became bankrupt.

Lord Campbell said: "I conceive that these circumstances amount in point of law to a payment to Ramsay & Co, and that they were bound to place the amount to the credit of Mackersy."

The document there to be collected was a bill of exchange whereas the present case was concerned with bills of lading and other shipping documents, but that was not a relevant distinction.

The factual situation was the same, save that here two rather than three banks were involved.

The documents, having been lodged with NDB for collection, passed out of the control of Techprofit/Sumatu/Suma, and NDB had a lien on them to the extent at least of Sumatu's overdraft.

NDB then sent the documents to Midland for collection. As soon as collection was made, it was to be regarded as payment to NDB by Midland. NDB's customer, Sumatu, then became entitled to a credit in the amount of the collection.

That credit might or might not result in a debt due to Sumatu by NDB, depending on the state of Sumatu's account and any other arrangements between Sumatu and NDB, but those matters were of no concern to Midland whose obligations were to NDB and no-one else.

If in the result a debt did become due to Sumatu, that debt would be situated in Sierra Leone and not in the UK.

There was no basis on which it could be successfully contended that the proceeds of the collections were the property in the UK of Techprofit, Sumatu or Suma, or constituted a debt owed to any of them by Midland.

In the light of the above, issues (2) and (3) did not strictly arise, but the answer to both questions was "yes", save in very exceptional circumstances.

It was of the first importance that routine banking transactions such as these should not be subject to interference by the Mareva jurisdiction, unless an exceptionally strong case could be made out that for some reason or another the well-settled principles of banking law were inapplicable.

The appeal was dismissed.

Lord Justice Beldam gave a concurring judgment. Lord Justice Stuart-Smith agreed.

For Lewis & Peat: Hugo Page (Clifford Chance).

For Midland Bank: Richard Siberry QC and J Smouha (Stephenson Harwood).

Rachel Davies
Barrister

PEOPLE

British Shoe shuffle

Sears, the lumbering retail giant which this month reported dismal annual results, is making another determined attempt to shake up its troublesome subsidiary, British Shoe Corporation, which accounts for about one in five pairs of shoes sold in the UK.

The company says the initial cost-cutting and stabilisation is complete and BSC is planning to introduce further commercial and operational improvements to place the division on a "sound footing for the future". In order to implement the second phase of rationalisation, Sears announced a string of senior management appointments at BSC.

John Osborn, the managing director who pushed through the initial restructuring phase, steps up to the post of deputy chairman. A successor as md has not yet been named but in the meantime Stephen Smith has been brought in as deputy managing director from the Freemans mail order business.

Jeff Nash, retail operations director at the successful Adams childrenswear chain, will assume the same role at BSC. And John Wheeler, head of Sears information systems, will be seconded to the BSC team to support the development of its computer functions.

Wright steps into Municipal breach

Brian Wright, the former group executive director of the UK's biggest insurer, Sun Alliance, is to help Municipal Mutual find a buyer for its general insurance business. Municipal, which is owned by its policyholders and insures nine out of ten local authorities, announced last week that it was seeking to transfer its non-life business after two years of heavy losses. Its former group chief executive Andrew Maclean left the group last week and Wright, who recently retired after a successful career at Sun Alliance, has agreed to step in to steer the group through potentially complex negotiations and will act as chief executive while these negotiations take place. As many as four companies – including a number of continental European players – are said to be interested in Municipal's business, which amounts to about 3 per cent of the UK non-life market.

■ **Desmond Fitzgerald**, chief executive of Mathews, Mulcahy & Sutherland, md of Marsh & McLennan Inc and a member of the executive committee of Bowring Marsh & McLennan Ltd, has been appointed to the board of MARSH & McLENNAN EUROPE.

■ **Paul Crayk** is appointed a divisional director of SBJ REGIS LOW.

■ **Silvio Caflisch**, senior vice-president of Winterthur, has been appointed chairman of PROVIDENT LIFE.

■ **Richard Boggis-Rolfe** has been appointed to the board of BNB RESOURCES.

Non-executive directors

■ **Ian Wilson** at INVESCO MIM.

■ **Rodney Walker**, chairman of Wakefield Trinity and deputy chairman of the Rugby Football League, at CONRAD CONTINENTAL.

■ **Anthony Jennings**, who retired from Rover Cars last year, at BLETCHLEY MOTOR GROUP.

■ **Nicholas Chance** at ALLIED RADIO, having stepped down from an executive role.

■ **Jack Hayes**, md finance and development of CRH, at The JONES GROUP.

■ **Peter Harper**, a director of Hanson and vice-president of the British Sports Trust, and formerly a director of John Laing, at LONDON CLUBS INTERNATIONAL.

■ **Maurice Lambert** at BURFORD HOLDINGS.

■ **David Sawyer** at The COMMUNICATION GROUP Scotland.

■ **Hugh Sykes** has resigned from NSM.

■ **Richard Kemp** at LINCAT GROUP.

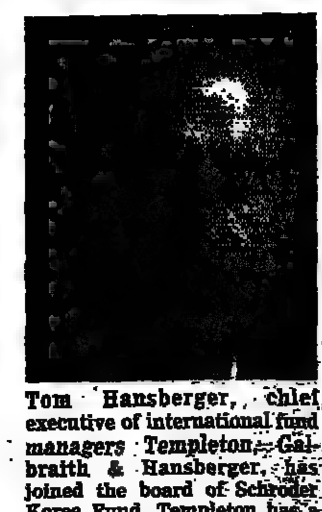
■ **John Head** at B.ELLIOTT.

■ **Mark Sketchley**, president and chief executive officer of Robert Fleming, New York, at MARLING INDUSTRIES.

■ **Dennis Howson**, who retired from Trade Indemnity last year, at CREDIT AND GUARANTEE INSURANCE.

■ **James Leek**, chief executive of the Caparo Group, at McLEOD RUSSEL HOLDINGS.

■ **Michael Gifford**, md and chief executive of The Rank Organisation, at ENGLISH CHINA CLAYS.



Tom Hansberger, chief executive of international fund managers Templeton, Galbraith & Hansberger, has joined the board of Schroder Korea Fund. Templeton has a 11.5 per cent stake in Schroder Korea, one of a recent batch of closed end funds set up to exploit the liberalisation of the Korean stock market. Hansberger, 58, is chairman of the International Society of Investment Analysts; he sits on the board of the Bangkok and Asia Development Funds and is a member of the advisory board of the India Fund.

Rebuilding Salomon

Salomon Brothers, the US investment house, has enticed Alastair Kerr onto its UK equity sales team, part of the rebuilding process in that department.

Kerr – "one of the most successful and experienced UK equity salesmen in London", according to Salomon – has to date only worked for UK houses, latterly Barclays de Zoete Wedd, and before that Morgan Grenfell Securities.

He began his career at Hoare Govett in 1975, and will find himself sitting close to an old Hoare chum at Salomon, Peter Stephens. While rivals say he could "get a rude awakening" – finding that business does not always flow as easily as at a mainstream UK broker – they are in no doubt he will be handsomely rewarded.

The fall-out after last summer's bond-rigging scandal hit the equity side, including the UK, particularly badly, with key salesmen leaving. Gary Wolens, head of European equity sales, says the rebuilding process will entail hiring a few more select "best". But Salomon still has to convince its rivals. Said one salesman at another house: "It's like hearing the first cuckoo in spring even though it's pouring".

Guru takes on global role

David Fairbairn, one of the UK computer industry's small band of internationally known gurus, has been named a vice-president of Texas Instruments' information technology group, a role which gives him worldwide responsibility for some of the company's most innovative pieces of software.

Fairbairn was managing director of JMA Information Engineering which became part of Texas Instruments last year. JMA develops software which helps in the writing of computer programs, and was started by James Martin, perhaps the best known of the UK's computer gurus.

Fairbairn's background is unusually broad for a computer executive. It includes a spell in New York as marketing director of Guinness Overseas and a period as worldwide marketing director for EMI Medical, overseeing sales of the pioneering brain and body scanners.

Immediately before JMA, he was director of the National Computing Centre, a Manchester-based organisation which aims to help companies make better use of their data processing facilities. He is a member of the Monopolies and Mergers Commission, a member of the board of the Patent Office and president of the Institute of Data Processing Managers.

The most popular painting in Bordeaux: 'Rolla' by Henri Gervex, 1878

Fine art/**Patricia Morison**

A deliciously scandalous painter

IF EVER a painter had the luck of the gods, it was Henri Gervex. Son of a Montmartre piano-maker, Gervex floated up through French society with the effortlessness of Montgolfier's balloon. At his death in 1929 Gervex was wealthy and fabulously well-connected. His daughter had married into the aristocracy, and his paintings graced some of the grandest dining-rooms in Europe.

Now, in a modest way, the Gervex balloon is once more on the way up, thanks to an exhibition which has just opened in Bordeaux. (Next year, it travels on to Paris and Nice.) There has never been a retrospective of the great *arriviste*, so tracking his canvasses to the homes of private collectors has meant a good deal of sleuthing for the show's organisers. Not, however, that Gervex is a totally unknown painter – above all, not in Bordeaux.

For half a century, "Rolla", the large, frothy scene of the morning-after in a cheap hotel, has been the most popular painting in the museum's collection – and star of the postcard sales, far surpassing Titian, Veronese and even Delacroix's "Greece on the Ruins of Missolonghi". There was a nasty moment when it seemed that the newly created Musée d'Orsay might reclaim the State's deposit, as it had every right to do. But Paris, mindful for once of local sensibilities, stayed its hand.

Gervex was 26 in 1878 when he exhibited "Rolla", unquestionably his masterpiece, in the Salon. Already, he was well and truly launched after winning a medal for the horribly squirming, but academically impeccable, "Satyr playing with a Bacchante", which showed him to be every inch the faithful pupil of the great Cabanel. But with "Rolla", Gervex showed himself to be now a true believer in Manet's gospel that artists must paint modern life.

His nude, however, is no "Olympia", the painting which over a decade before had caused such a scandal. There was no risk of Gervex ever reneging on the academic doctrine of ideal beauty of form in the matter of nudes. Throughout his life, as we see in the upstairs rooms of the exhibition, paintings of meltingly boneless nudes – usually redheads – were one of his stand-bys. In old age, Gervex the dinosaur even reverted to Cabanalesque goddesses lolling on the tops of waves.

It was with "Rolla", however, that Gervex showed his uncanny gift for public relations. It was banned as immoral, for reasons well explained by Hollis Clayson in her interesting study of prostitution in French 19th-century painting, "Painted Vice" (Yale University Press). A prostitute in her corset, like Manet's "Nana", was tolerable; discarded corsets and petticoats, with Monsieur Rolla's walking stick pointing at a provocative angle, were quite another.

Undaunted, Gervex put it on exhibition in the Chaussée d'Antin; *le tout Paris* was invited to see, and for weeks the street was filled with carriages. Gervex was now a deliciously scandalous painter, in addition to being a perfectly delightful human being. In the 1880s and '90s, Gervex was irrepressible. The older generation of Impressionists loved him for his raffishness.

> *'With a vengeance, the arriviste master, Henri Gervex, is coming in from the cold'*

Early success meant he could afford a famous mistress, Madame Valtesse de la Bigne, whom we see in a large and glibly sub-Manet open-air portrait. He thoughtfully introduced her to Zola, researching the background for his immortal prostitute, Nana. Another little scandal, when he exhibited a painting of a nude wearing a velvet mask, helped his reputation. Everyone wanted to know whose wife she was, and a count sueing his sister for her inheritance said she had been the sitter . . .

Gervex's industry was prodigious and he would never turn down a prestigious commission, no matter how boring the subject. A brilliant stroke in 1889 was to join up with the Belgian artist, Alfred Stevens, and paint a gigantic "Panorama of the History of the Century", shown here in a modest copy from Brussels. Gervex had now shown himself as the republican patriot, honouring the Revolution. People flocked to see it, and when a buyer did not come forward, small pieces were given to each of the financial backers.

Clearly, here was the right artist to execute vast murals for public commisions, such as still survive in the Hall of Weddings at the *mairie* of the XIX *arrondissement* and the ceiling of the buffet of the Gare de Lyons. Onwards and ever upwards, Gervex painted millionaire's salons and ceilings for the Elysées Palace. In the Belle Epoque years, his undoubted talent for painting electric light mad him favoured choice for showing high society dining in the Bois de Bolougne.

Portraits were bread and butter to Gervex, although he showed no very great talent for them. Singer Sargent's bravura effects always eluded him. But even as his commissions took him into the highest ranks of society – even the Russian Royal Family, he still paid homage to early days. He ws still, a "painter of modern life", follower – at however far a distance – of Degas and Manet. Hence, we still find him painting scenes such as the wistful cocotte, umbrella on the table, who anxiously awaits her companion for the night in a smart restaurant in the Bois de Boulogne.

This is a hugely enjoyable exhibition, even though of a painter who rarely rose above third-rate. Only now and then is he better than that, for example, in oil sketches of his wife nursing their daughter or asleep on the deck of the splendiferous yacht of the American tycoon, James Gordon Bennet. The book accompanying the show will delight all who love the Belle Epoque, and is rich above all in the contributions made by Gervex's great-grandson.

And do keep your eyes skinned; propped in a cellar, or hanging in some drawingroom, you just might happen to see a nude in a black velvet mask or a Nana look-alike dressing in a theatre loge . . . There are many Gervexes yet to be unearthed; with a vengeance, the *arriviste* master is coming in from the cold.

Galerie de Beaux-Arts, Bordeaux, May 11 to August 30: Musée Carnavalet, Paris (February 1 - May 2); Musée de Beaux-Arts, Nice (May 27 - August 29, 1993).

Theatre/**Malcolm Rutherford**

'Coriolanus' at Chichester

The Chichester Festival has begun its 30th anniversary season with a thoroughly enjoyable Renaissance Theatre production of *Coriolanus* in which some of the minor parts outshine the stars.

Quite the most memorable aspect is the crowd scenes where the theatre has had the bright idea of drawing on the local population. The result is a goodly crew of about 70 extras, playing alternately the people of Rome and the supporters of Tullus Aufidius. They do not look like a Roman mob or even remotely urban. They tend to be armed with pitchforks and hoes and are perhaps more convincing when playing the Volsces who come from the more rural community.

Nevertheless, to have a cast of 70 enthusiastic volunteers at your disposal is a considerable asset. They have been marshalled well in Tim Supple's production. The effect, which is crucial to *Coriolanus*, is to show that the power of the people matters, if only because there are so many of them. The populace may make the wrong decisions and be demonstrably fickle in its judgments, but without the people there would be no power struggle and no play.

Kenneth Branagh as Coriolanus

The other outstanding achievement is the role of the two tribunes, played by Jimmy Yuill and Gerrard Horan. They are the men who manipulate the people of Rome. Supple's production scores again in underlining their pivotal position. They may be working-class politicians with an eye for the main chance, but they are not wholly self-interested. The Roman patricians respect their power, even if they dislike their origins and aspirations. Coriolanus himself, remember, is neither patrician nor lower class. He looks down on the plebs with a contempt that the patricians would never express in public. This delicate balance of political forces is beautifully caught.

Coriolanus observes when he enters the land of the Volsces "A goodly city is this Antium", and so it turns out to be. Certainly it is far more relaxed, and possibly more civilised, than Rome. The problem is that it is overshadowed by Roman power, just as Tullus Aufidius is overshadowed as a warrior by Coriolanus. Yet here again is an example of the smaller parts rising to the occasion. Iain Glen's Tullus has just the right tough of an inferiority complex and even the faint sound of a West country accent.

Coriolanus is played by Kenneth Branagh. He does nothing wrong, except perhaps that he should look more attractive. The tight-fitting leather trousers are a mistake. On the whole, one admires the way he lets the production and the play speak for themselves without trying to steal the show. Equally, Richard Briers does everything he should as Menenius without being obtrusive.

There is a caveat about Judi Dench as Volumnia. She is in danger of becoming a bit of a gorgon. In this production she is a frightful badgerer. Indeed one is inclined to think that the last person Coriolanus would want to give way to is a mother like this. Supple should tell her to calm down: a bit more Roman dignity and less of the militant female.

Chichester Festival Theatre. In repertory. 0234 781312

The Seagull

Frequently There are two schools of British Chekhov criticism. The former and larger school says that there is too much Chekhov about in Britain, that the British seldom get Chekhov "right", and that the Russians are right to say Chekhov is much funnier than the British know.

The other school says that the existence of a long British tradition of Chekhov proves a real local sympathy for this author, that this tradition has been responsible for numerous classic stagings of Chekhov's few plays over the years, that the British may actually be no further from Chekhov than the post-1917 Russians, and that Chekhov is tonic and stimulus to British actors. I belong, you have rightly discerned, to the latter school.

Theatre Clwyd's production of *The Seagull* is the farewell staging there by the theatre's artistic director Toby Robertson (who departs after seven years' service). It has the interest of having Arkadina and her son Konstantin played by Dorothy Tutin and her son Nick Waring; and Trigorin is Ian Hogg. The drama is alive, with a nice sense of Chekhov's serio-comic fluctuations. Jeremy Brooks's English version, based on a translation by Susanna Hamnett, is lively. Arkadina admits "Well, of course, I do have *some* money. But I'm an artiste. My make-up alone practically ruins me."

Tutin, with her strange chestnuts-and-cream voice and delicate near-French enunciation, hints lightly at the streaks in Arkadina that in other hands have become egomania and rampant affectation. She is light even in absurd extremes – even when she pushes Trigorin onto the floor and makes long, verbal love to him: "You have freshness! simplicity! healthy humour!" Earlier, she tells him, metaphorically, "You must sober up!" and then takes a swig of alcohol herself. Hogg, however, makes Trigorin too blatantly a charlatan. It becomes impossible to see what Nina idealises in him.

Waring, however, makes a good impression from the first as Konstantin and gets better as the play proceeds, though I would like to see him the play the role again in five years' time when he has more vocal presence. He epitomises the major virtues of the production – and the slight weaknesses that would drive the Brits-out Chekhovians crazy. On the one hand, he has pacing, variety, feeling, sincerity; the way he keeps shifting the mood in every speech and dialogue is admirable. On the other, we don't sense Konsantin's underlying temperament forcefully enough.

As Sorin, Ronald Fraser looks like Verdi in extreme old age, drawls his vowels and mushes his consonants; "tragedy" is pronounced "chrairshedeh." Both he and Lucinda Curtis as Polina are too predictable, too fond of turning their roles into stock types. Nina and Masha are much more interestingly conceived by Catherine Cusack and Lucy Scott as contrasting examples of young womanhood, but neither interpretation has quite settled into focus yet. The most perfectly judged interpretation of all is Bernard Lloyd as doctor Dorin, elegant and ironic. He finds time, as no one else onstage does, just to take in atmosphere; and we feel life itself passing by.

The staging works beautifully on its own delicate terms. Other stagings have more drive, more neurosis and, above all, more sense of the accidental details of life passing in the background. If there is a single fault I would find, however, it is that too many speeches are made bang in the centre of the stage. The fascination of Chekhov lies in asymmetry.

Alastair Macaulay

Theatre Clwyd, Mold until May 30. 0352 755114

Loot

On Press night, even after several previews, Peter James's production of Joe Orton's black comedy still looked like a beta-plus version of a straight-alpha play. That isn't such very faint praise; if you had never seen *The Importance of Being Earnest*, a goodish provincial staging might still be a revelatory delight, and so may this *Loot* be.

Here, a scattering of small fluffs by the cast throughout the evening suggested under-rehearsal, but also an early prospect of tightening-up. The general Ortonesque tone was generally audible, which is to say that the James cast knew well enough that Orton's diction is the heart of the matter. Very few British plays this century have pulled themselves so completely into the words, mocking and subversive in a self-contained, consistently original vein. The casting is judicious, and the pacing deftly handled – some momentary lapses, but a strong forward impulse with a fine *accelerando* towards the end.

On the other hand, the producer has devised cute freeze-frames to begin and end the acts, and saddled his murderous Nurse Fay (Dearbhla Molloy) with a mechanical bottom-wiggle from the start: winsome vaudeville, nothing to do with Orton. Ben Walden has been allowed and perhaps encouraged to play his personable Hal "sincere", down to a carefully demotic accent that takes the edge off his best vicious lines. The preludial music – "I Did It My Way" on crematorium-organ – is nice, but the bundled cadaver of Hal's Mum is ridiculously large and lightweight.

Miss Molloy allows herself too much Irish crooning, melodious lubrication of lines that want scarifying down-to-earth candour. Colin Hurley captures Hal's pal Dennis, the criminal undertaker's-assistant, with cooler precision, though he is a bit over-age: it matters to the play that the appalling Hal and Dennis are just streetwise adolescents. Nobody but Patrick O'Connell's widowed McLeavy, baffled and beset, should speak with unguarded feeling; O'Connell does that very well, but the improper competition – from Hal and from Nurse Fay, and even from the egregious Truscott of the Yard – denies him his proper effect. When his last unjust deserts should jolt us beyond the provisional limits of the farce, they melt painlessly into the general charade.

Inspector Truscott is the key role, and David Troughton plays him with resourceful relish: not a line wasted nor an implication missed, the transition from simple Agatha Christie bumbler to corrupt modern archetype smoothly managed. Yet Troughton's basic comic *persona* gets in the way. He is always vainly ingratiating, a hopeful wheedler, where the original West End Truscott (Michael Bates, much missed) went through virtuoso switches from flat Christie stereotype to sudden sadist – here, Troughton's duffing-up of Hal carries nothing like the shock-value – to venal bribee. That made *Loot* much nastier, and significantly funnier.

David Murray

Lyric, Hammersmith, to June 6

INTERNATIONAL ARTS PREVIEW
& EXHIBITIONS

London's theatres have a strong line-up of new shows for the summer. Trevor Nunn's RSC production of The Blue Angel, the Heinrich Mann tale made famous by Marlene Dietrich and adapted for the stage by Pam Gems, comes to the Globe next week.

At the Barbican, the RSC's next Shakespeare production is Romeo and Juliet, starring Michael Maloney. The New Shakespeare Company begins its open-air season in Regents Park in two weeks' time with A Midsummer Night's Dream, followed in mid-June by As You Like It, directed by Maria Aitken.

The National Theatre has a new production of A Midsummer Night's Dream at the beginning of July, directed by Robert Lepage. Jeffery Kissoon will play Oberon, with Sally Dexter as Titania. The National will also stage Jim Cartwright's new play The Rise and Fall of Little Voice (June 16).

John Guare's long-running Broadway success Six Degrees of Separation comes to the Royal Court next month in a production directed by Phyllida Lloyd. At the Lyric Hammersmith, Sheila Hancock stars in A Judgement in Stone, a new musical thriller based on the novel by Ruth Rendell. Written and directed by Neil Bartlett, this is the first ever staging of one of Ruth Rendell's mysteries (June 10). Christopher Cazenove will head the cast in The Sound of Music when it returns for a season at Sadler's Wells at the end of June.

***Meanwhile*, Chichester Festival Theatre (0243-781312) has one of its most challenging programmes of recent years. The opening production of Coriolanus (reviewed above) will be followed by a revival of Christopher Fry's verse play Venus Observed, not seen in a major theatre for more than 40 years. The festival's other gamble is a new play by broadcaster and novelist Melvyn Bragg.**

EXHIBITIONS GUIDE

BALTIMORE
Museum of Art French Posters: 40 turn of century advertising posters by Toulouse-Lautrec and others. Ends Aug 9. Closed Mon and Tues
BARCELONA
Fundacio Joan Miró Holzwege: a series of black and white photographs by the Belgian artist André Jasinski, giving a subjective view of the forest. Ends June 14. Also Art from Catalan, Spanish and other European collections, showing how maternity, purity and marriage have been depicted in art from medieval times to the 20th century. Ends June 7. Closed Mon
CHICAGO
Art Institute *Jacob Lawrence*: 63 works from a remarkable series of historical illustrations by the African American artist. Ends Aug 2. Also Patrick Tosani: enormous colour prints by the French artist. Ends July 19. Daily
EDINBURGH
National Gallery of Scotland Leonardo: the mystery of the Madonna of the Yarnwinder. Leonardo is known to have painted this subject in 1501, but several versions exist. Now for the first time they are brought together in an attempt to identify the original. The exhibition includes paintings, drawings and X-ray evidence. Ends July 12. Daily
FLORENCE
Uffizi *Florentine drawing* at the time of Lorenzo the Magnificent: 180 drawings by Renaissance artists, including Filippo Lippi, Leonardo, Michelangelo and Botticelli. Ends July 26
Spedale degli Innocenti Architecture in Florence and Tuscany in the time of Lorenzo the Magnificent. Ends July 3
LONDON
Polish Cultural Institute Zygmunt Vogel's vision of Warsaw: 36 late-18th century watercolour views of Warsaw by the Polish court artist who was a near-contemporary of Bellotto. Ends June 26
Tate Gallery William Blake (1757-1827): Apprentice Years. The first in a series of annual displays devoted to Blake's work, this exhibition focuses on the influence of his time with the commercial engraver James Basire, and includes his early Westminster Abbey drawings. Ends Aug 16. Also David Hockney: *Seven Paintings*. Ends July 26. Brice Marden (b New York 1938): leading contemporary painter-engraver. Ends June 21. Daily
Courtauld Institute Hogarth and Piranesi: engravings and etchings by two great 18th century printmakers. Ends June 7. Daily
National Portrait Gallery GBS In Close Up: portraits and photographs of George Bernard Shaw. Ends July 5. Daily
Accademia Italiana Rediscovering Pompeii. Advance booking on 071-379 4444. Ends June 21. Daily
Victoria and Albert Museum Sovereign: items belonging to the Royal Family which have never been seen in public. Ends Sep 13. Also 20th century costume jewellery by Chanel, Dior and others. Ends July 5. Daily
Royal Academy of Arts Alexander Calder (1898-1976): popular US artist. Ends June 7. Daily
MANCHESTER
City Art Gallery Derek Jarman: a new series of polemical paintings created by the avant-garde film-maker in response to being diagnosed HIV positive. Ends June 28. Also Turner and the Poetic Landscape: all 35 Turner watercolours in the gallery's collection, plus two major oil paintings and a group of works on loan. Ends June 7. Daily
MUNICH
Stadtmuseum Otto Scheinhammer (1897-1982): oils and watercolours by the Munich painter, including a series based on his visit to Egypt in the mid-1930s. Ends June 8. Also Cheri Samba (b1956): drawings and cartoons giving a colourful picture of life in Zaire. Ends June 28. Closed Mon
NEW YORK
Metropolitan Museum of Art Andrea Mantegna. Ends July 12. Also William Harnett, late 19th century American master of still-life painting. Ends June 14. Also Royal Art of Benin. Ends Sep 13. Closed Mon
Museum of Modern Art Antoni Tapies (b1923): prints and illustrated books by the Catalan artist. Ends Aug 9. Closed Wed
Brooklyn Museum Piranesi's Prisons: *first edition prints from* the museum's permanent collection. Ends July 26. Closed Mon and Tues
PARIS
Galerie Schmit French Masters of the 19th and 20th centuries: 40 works representing all the major schools, including rare paintings by Cézanne, Corot, Courbet, Delacroix, Monet, Renoir, Derain and others. Ends July 16. Closed Sun (396 rue Saint Honoré)
Centre National de la Photographie Annie Leibovitz: photographs 1970-90. More than 100 dynamic portraits that have helped shape and define the look of American popular culture. Ends July 27 (Palais de Tokyo, 13 ave President Wilson)
Grand Palais *The Vikings*. Ends July 12. Toulouse-Lautrec. Ends June 1. Closed Tues, late opening Wed. Advance booking on 4804 3886 (ave du General Eisenhower)
Musée d'Art Moderne Sima (1891-1971), Czech painter. Ends June 21. Closed Mon, late closing on Wed (11 ave President Wilson)
Musée D'Orsay *Guimard*, art nouveau designer. Ends July 26. Closed Mon
Louvre Clodion (1738-1814), French sculptor. Ends June 29. Closed Tues (Hall Napoleon)
ROME
American Academy Piranesi: *architectural drawings 1764-67*, on loan from American museums and private collections. Ends July 5. Daily
VIENNA
Albertina *The Eloquence of the* Body: a thematic guide to the body in art, from the ideal to the grotesque, with works by Leonardo, Michelangelo, Dürer, Rubens, Rembrandt, Goya, Klee and others. Ends July 7. Daily
Schlosshof im Marchfeld The Baroque View of America in Hapsburg Lands: an exhibition showing how Europe's discovery of America 500 years ago stimulated the creative fantasy of court artists and craftsmen. Ends Sep 13. Daily
WASHINGTON
Corcoran Gallery of Art Interface: Berlin Art in the Nineties. Painting, sculpture and photographs by nine younger-generation German artists. Ends July 5. Also Guillermo Kuitca: *ten recent* paintings by the Argentine artist. Ends June 18. Closed Mon
National Museum of American Art Elizabeth Layton: Drawing on Life. 62 works of whimsical satire by this octogenarian describing ageing, depression, dieting, marriage, grandmothering, the nuclear threat and death. Ends June 28. *Also Chicano Art 1965-85*, including paintings, posters, photographs and videos, exploring the history and concerns of the Chicano community. Daily
National Museum of Women in the Arts Calligraphic Artists' *Books: 40 works by American* women calligraphers. Ends Sep 7. Also an exhibition of early 20th century photography. Ends Sep 7. Daily
National Gallery of Art *Käthe* Kollwitz (1867-1945): German artist celebrated for the powerful social content of her imagery (also companion exhibition at *National Museum of Women in* the Arts). Ends Aug 16. Ernst Ludwig Kirchner, German expressionist painter. Ends Aug 16. Jacques Callot, early 17th century French printmaker. Ends Sep 7. Daily

FINANCIAL TIMES

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Friday May 15 1992

Doubts about the Eurofighter

MILITARY *technology knows of* all kinds of sights; the most awkward of these is hindsight. *If* one could go back now and plan from scratch for a fighter to meet European air forces' requirements, the result would doubtless be different from the current European Fighter Aircraft (EFA) programme.

It might be a less ambitious aircraft, or a different partnership. Britain and France have every *cause to rue the mutual hubris* that made them take separate paths in 1985, *leaving France to* produce its own, smaller, high-performance fighter and Britain to continue EFA with Germany, Italy and (after some hesitation) Spain. This regret is all the more acute for Britain as Bonn is vacillating over the project.

Mr Volker Rühe, Germany's *new defence minister, says he is* sceptical whether a "super-bird" is *needed in view of the* "changed political circumstances". EFA was designed as a next-generation, highly agile fighter to fill a very specific gap – an aircraft to match the latest MiG and Sukhoi fighters which would escort any Soviet bomber attack. That threat has receded to the point of implau*sibility*, and Russian aircraft no longer breathe down Nato's collar *at forward bases in central* Europe.

Even when full development of EFA was launched four years ago, German politicians were questioning whether it was worth the cost. Since then EFA has evolved into a *symbol for many Germans of* wasteful Cold War spending. *Recently, the climate appears to* have become even more hostile to the project. A working group report to the governing coalition parties is due on June 1. It may not come out flatly against EFA, but is not expected to bring joy to EFA *supporters*, either.

Final stages

But EFA is by now almost ready to fly. With £8bn already spent on the prototype phase, it is unlikely at this stage that any aircraft of comparable performance would *prove cheaper than proceeding* with EFA production. None of the partners envisages the option of buying no fighters at all. The question is whether they need the performance.

EFA's backers argue that the "threat", in terms of the quality of potential adversaries, has not dwindled: the *MiGs and Sukhois* are still being produced, enhanced and widely marketed. They also claim EFA to be a thoroughly versatile aircraft. It had to be, since the partners had to reconcile different requirements, including the UK's that it should be able to double up as a ground-attack aircraft.

Intriguing options

Among the alternatives Bonn is *considering – ranging from the* French and Swedish contributions to the new agile generation, to a jazzed-up version of the 20-year-old Tornado – the safest would be current, well-proven US jets such as multi-purpose F/A-18 Hornets. But by the same token, these are not new aircraft, and have limited *scope for further evolution*.

The most intriguing option is *the MiG-29, undercutting all the* competition on price. But Russia's *reliability* as a source of spares is so questionable as to make the idea still look eccentric.

If Bonn does pull out, EFA could reach the borderline of viability. Reductions in Italian, Spanish and possibly UK requirements could *bring the production run, not* counting potential exports, to lit*tle more than half the original* objective of 800. That, the manufacturing consortium reckons, would only just be enough to bring the basic production price per aircraft down to the target £20m-£25m.

German withdrawal would at the very least deal a damaging blow, both to the *aerospace industry* which Bonn has been trying to nurture and to international collaboration. If it brought the project down with it, the repercussions on British Aerospace, GEC-Marconi and other UK *defence contractors would be very* grave. It would also raise doubts about the capacity of European industry ever to mount such a venture again.

But to avoid that requires a blitz on costs. The expensive arrangement, derived from the Tornado programme, whereby work is *meticulously allocated among the* partners and each carries out its own final assembly and flight tests needs urgent rethinking. Having got this far, EFA is probably worth pursuing, but not at any price.

Making sense of the auditor

FOR ALL *its merits*, the traditional British audit report, *with its central assertion about* the truth and fairness of company accounts, did not stand up well to the test of the financial scandals and corporate collapses of the 1980s. The mandarin phraseology of the report has always meant *more to auditors than to those* whom the auditors are supposed to serve. And since the true and fair formula appeared to hold out the promise of certainty in an area where subjective judgment is critically important, it gave a dangerously misleading impression to people whose grasp of accounting was limited – a category which, if academic surveys are to be *believed, includes a majority of* British fund managers.

So much the better, then, that Britain's new Auditing Practices Board is setting out to make the auditor's report more informative. In one of its first three exposure drafts for public comment, published this week, the board is seeking to clarify the role of the auditor and to explain how the audit process has dealt *with uncertainties that remain unresolved when financial statements are approved.*

The clarification of the auditor's role will no doubt provide satisfaction to the board's own immediate constituency since it will emphasise the narrowness of the auditor's remit. It has always been the *directors' job to prepare the* accounts, while the auditor's duty is *merely to express an opinion.* We will now be reminded of this division of labour *ad infinitum* in the annual report.

Judgmental areas

The more substantive reform concerns the judgmental areas in company accounts. Under existing auditing standards, the audit report has far too little to say about the nature of the uncertainty affecting the accounts. The threat of a qualified report has admittedly given auditors a stick with which to prompt management into making fuller disclosure in the notes to the accounts. Yet where the auditor's report is unqualified, the reader of the financial statements may not be aware of the significance of a given note within the context of a difficult audit process. On other occasions, the auditor will express a qualified opinion without giving adequate information to explain the implications for the business.

The Auditing Practices Board now proposes that the auditor should qualify an opinion only where there is genuine disagreement over the accounting treatment of uncertainty and the ade*quacy of its disclosure; or, again,* where uncertainty is caused by management placing some limit on the scope of the auditor's work. The auditor will be required to draw readers' attention to those uncertainties that are so fundamental that a judgment one way or the other could have a serious *impact on the picture that the* accounts reveal. And the basis of *the auditor's opinion will be sup*ported by a brief description of audit procedures.

Weak link

This is potentially helpful. But it is important to remember that audit failures in the 1980s were *not solely to do with the uninfor*mative nature of the auditor's *report. There is a weak link in the* chain of accountability, in that the *auditor's fees, though formally* sanctioned by the shareholders, are for all practical purposes in the gift of the management on whose stewardship the auditor is supposed to pass an independent opinion. The quality of audit judg*ments has also declined as the big* accounting firms have come to *regard the audit function* – privately, if not in public – as a loss leader for lucrative consultancy services. To make matters worse, the judgment in the recent Caparo case limited the auditor's liability for negligence to present share*holders, leaving third parties* wholly unprotected.

A tighter framework of accountability is needed. And it may not be enough simply to call for disclosure of consultancy fees from audit clients, as the Cadbury committee is shortly expected to do. The auditor must be seen to be *free from such conflicts of inter*est. Whether that can be achieved without restructuring the accountancy profession is a moot point. But such an upheaval may, in the end, be unavoidable. In the meantime, a statutory clarification and extension of the auditor's responsibility to all stakeholders in the business is badly needed.

No more jobs for the boys

'Non-employment' is the burning issue, not 'unemployment', argues **Edward Balls**

Slow growth and rising *unemployment are fuelling* social discontent across the developed world: anti-immigration French nationalism, a threatened general strike in Spain, rising crime in Britain, riots in America are all worrying examples.

At next week's ministerial meeting of the Organisation of Economic Co-operation and Development in Paris unemployment is at the top of the agenda. Yet the representatives of the world's richest and most suc*cessful market economies will have* little alternative but to wring their hands and shake their heads. Everyone knows unemployment is a problem; but nobody fully understands why it has remained so high for so long, or how to reduce it.

The ostensible cause of the rich countries' renewed concern is the combination of forthcoming elections and rising unemployment: not one with which politicians can feel happy. But a deeper sense of unease is revealed in the internal OECD papers prepared for next week's meetings. These describe how the developed countries have become increasingly troubled by the links between joblessness and economic deprivation: drug use and abuse, *racial tensions and a rising tide of* crime and violence. The OECD fears *that the economic slowdown, and* ensuing increase in unemployment, will make these problems both more perceptible and acute, with dangerous consequences for social cohesion and political stability.

At least the OECD is sure that it understands the facts: unemployment has risen in almost every *important member country in the* 1980s; the rise was concentrated among men, not women; it has remained persistently and exceptionally high in Europe.

The experience of two countries that did not follow the trend – the US and Sweden – are the basis for the OECD's rather tentative policy recommendations. America's flexible and deregulated labour markets *have allowed it to to absorb a large* inflow of immigrant labour, without any apparent rise in unemployment, while Sweden's extensive and expensive labour market programmes underpin the OECD's support for "active" policy measures to re-train the unemployed and help them back to work.

But is the OECD's reading of the facts correct? The concentration of long-term unemployment in Europe is only part of the wider picture. By focusing on "unemployment" – people who are available and actively looking for work – the OECD *excludes a group that should* be of great importance to policy*makers: people who have no jobs* and have given up the search for employment.

Male labour force participation has dropped sharply over the past decade as many have shifted from being "unemployed" to "economi*cally inactive". The common char*acteristic of these two groups is that they do not have jobs; all can be classified under the general heading of "non-employed".

The international pattern of nonemployment looks different from *that for registered unemployment.* The US may be a low "unemployment" country, but it is a low employment country too as the chart shows. The US has, in fact, been the standard on which the rest of Europe has converged. The nonemployment rate of men aged 25-55 has doubled in the US since 1970, *but tripled in the UK, France and* Germany.

This suggests the OECD should be asking two fundamental questions: Why do so few men work now, compared with 20 years ago? And *what do they do, instead?*

● Slow growth: Unemployment rises in recessions when growth is depressed. The OECD's latest forecasts are for subdued growth of 1.8 per cent among OECD countries this year. The European unemploy*ment rate is expected to jump from* 8.7 per cent in 1991 to 9.4 per cent in 1992, *and continue rising into next* year. Yet slow growth cannot explain why non-employment remained so high throughout the period of strong economic growth in the latter half of the 1980s.

● Unions and real wages: Alternatively, *maybe trade union "insiders"* pushed up their real wages when growth picked up, preventing the unemployed "outsiders" from being re-employed. If so, advises Professor Dennis Snower of Birkbeck College, London University, governments should reduce trade union power and make it easier to *fire insiders by reducing severance* pay or simplifying firing procedures.

This is music to the OECD's ears; but does it fit the facts? The pace of real wage growth across Europe in the 1980s was rapid in light of the *overhang of unemployment*, especially in the UK. But why did this rise in *non-employment in the UK* occur when trade union membership was falling and labour market regulations were being relaxed?

● *Co-ordinated wage bargaining:* The pattern of wage bargaining is yet another explanation for permanently high non-employment. Trade unions may be more effective in obtaining higher real wages for their members when collective bargaining is decentralised as in the UK, rather than centrally co-ordi*nated as in Germany and Sweden* (as the chart shows). Unions encourage employers to pay aboveaverage wage settlements to motivate their workers, but at the expense of higher wage inflation.

Sweden's *centralised* wage bargaining requires comparatively *small* increases in unemployment to bring inflation under control. Yet Australia has suffered from high non-employment despite centralised bargining and moderate real wage growth.

● *Disincentives for job search:* Vacancies were high in the late 1980s, so either the unemployed were not looking for available jobs or they were unqualified for those available.

What appears to affect the behaviour of the unemployed is not the level of unemployment benefits but *the length of time they are paid*, according to Professor Richard Layard and Dr John Philpot of the Employment Institute, a UK-based *independent think tank. Countries* such as Sweden and the US, with limited duration of unemployment benefits, tend to have lower unemployment.

Yet the link between unemployment benefits and unemployment is misleading. Studies find a positive, but small, relationship between *benefits and unemployment.* But once unemployment rates are replaced with non-employment rates, the simple correlation between benefit duration and joblessness breaks down.

The duration of benefits may, *instead, merely determine how job*lessness is recorded. "The real prob*lem is non-employment and not* unemployment," argues Professor Larry Summers of Harvard University. "Countries with what appear to be long-term unemployment problems are often just countries where the non-employed keep being *counted as unemployed for longer.*"

● More brawn than brain: The variation across countries – in rates of economic growth, wage-bargaining institutions, benefit levels, and active support for the unemployed – are large. But these national disguises conceal something they all share: the collapse in *the demand for* unskilled male labour over the past two decades.

The rise of *low-cost* suppliers in the newly developed countries and the comparative advantage of developed countries in highly skilled, technologically advanced production has rendered much of the developing countries' manufacturing capacity obsolete. The rapid rate of productivity growth in manufacturing has been as important.

This structural shift has left a residue of poorly educated, unskilled male labour whose market value has fallen sharply. These are the groups which have been hit hardest by unemployment.

Countries have been affected in *different ways, and their policy* responses have differed. In the US, where wages are very flexible, the real wages of the lowest-paid 10 per cent of workers have fallen by 30 per cent *since* 1970, while the wages of college graduates have grown.

Very low *relative* wages *for* unskilled jobs and a lack of income support have been cited as one cause for the rise in crime. The LSE's Professor Richard Freeman points to the way the increase in incarceration has been concentrated among the uneducated in the 1980s. By 1986, 7.4 per cent of US male high school drop-outs aged 25-34, and 26 per cent of black male dropouts, were in prison.

Continental Europe has taken a different route. The relative rigidity of wages, and high unemployment benefits, have prevented unskilled real wages from falling. But employers have been unwilling to hire the unskilled at those wages. Unskilled *men subsist on state benefit.*

The UK lies somewhere in-between. *The real wages of the low* paid have not fallen, but wage inequality rose more sharply than in Europe as labour market regulations were dismantled. Unemployment benefits, though permanent, are low compared with the rest of Europe. Little wonder then that the UK has taken on many US charac*teristics: high vacancies and rapid* female employment growth alongside a rising pool of non-employed, and increasingly unemployable, men "active" outside the system.

Sweden appears to have bucked the trend. It, too, suffered a fall in manufacturing employment. But it has maintained relatively low unemployment and non-employment, high unemployment benefits and a relatively equal wage distribution. Sweden has provided an alternative: employment in the public sector. Public sector employment has tripled over the past two decades; by 1987, more than 30 per cent of employed Swedes worked for *the government compared with 15* per cent in the US. Japan has taken a not dissimilar route, but through highly inefficient private service sector employment.

The heavy costs of Sweden's third way have meant a much larger public sector and higher marginal and average tax rates than in other *OECD countries. The electorate has* now rebelled, electing a conservative government pledged to reduce the size of the public sector.

Dealing with the collapse in the demand for men whose principle skill is their physical strength is at the root of the economic and social problem facing all OECD countries. Nobody has yet found a satisfactory solution: supporting the unskilled unemployed to do nothing is wasteful; giving them public jobs is expensive; excluding them from society altogether is dangerous. The Los Angeles riots suggest inaction can have painful, and expensive, consequences.

Joe Rogaly

A cartoon Community

The relationship between the European Commission's president Jacques Delors and the British government is like a Tom and Jerry cartoon. Tom, the cat, will *stop at nothing in his efforts to* swallow Jerry the mouse. Traps are *set. Dynamite is fused and lit.* Anvils are dropped. There are *hair-raising* moments, and sometimes a trick or two is won by Tom, but in the end Jerry always skips away free.

That is what happened at Maastricht in December. The draft treaties on European political and monetary union gave the Commission powers to make policy and issue directives in *most areas of govern*ment. Brussels proposed to use the European parliament to impose direct taxes, and even to rule in matters of foreign policy and defence. Every paragraph contained a pratfall for believers in a *Europe des patries*. The actual treaty, to be presented to the Commons next week, maintains the EC as a congeries of states. Its policies are deter*mined* by negotiations between member governments. Some – perhaps too many – involve majority voting, but the nature of the association is such that consensus is usually sought. Tom would dearly love the EC to be a superstate, but it is not; *nor is it inevitable that it will* become one.

The dwindling band of Thatcherite nationalists disagrees. So does Mrs Thatcher herself. Her few remaining acolytes in the lower house will vote against the treaty, but since Labour plans to abstain that is of merely symbolic importance. What matters now is the next stage of the argument. For in spite *of his recent equivocations* in advance of the Danish referendum on Maastricht, Mr Delors remains a *sincere believer in a united states of* Europe. The Commission may have been frustrated in December, *but it* will be back. It never gives up.

There are two possible strategies that might ensure that it continues to lose. One is defence, the other is attack. The first is favoured by the British government, as Mr Douglas Hurd indicated a fortnight ago. In his Guildhall speech, he urged the *EC to wait until the agreed date of* 1996 before reviewing the Maastricht deal. The foreign secretary could not resist a dig at Mr Delors' dream of a strong single executive, a council of ministers working by majority voting and a strong single parliament – in short a powerful government of a centrally-managed superstate. "I believe that concept is now looking somewhat old-fashioned," *said Mr Hurd.*

Echoing his boss, Mr Tristan Garel-Jones, *the junior minister for* Europe, said in Bonn yesterday that "Britain stands firmly by the Maastricht treaty". It is not difficult to see why. Mr Garel-Jones *stressed* every clause that strengthens the *powers of national governments* rather than the Commission. Foreign and security policy will be dealt with by a separate mechanism, as will cross-border policing. National parliaments could take the opportunity to scrutinise Commission proposals before they are debated in the Council of Ministers. *He hoped that "on the analogy of* the US Supreme Court, the European Court will give increasing emphasis to the rights of member states". This could be easier now that the principle of subsidiarity is "enshrined" in community law.

Not all Community member states will *always want to* participate in all areas of policy

We could call this aggressive defence. Attack might be better. One strategy is suggested by Mr Frank Vibert in a paper published by the European Policy Forum*. He proposes that commissioners should be limited to two five-year terms; that national parliaments should be able to propose EC legislation; that *the Commission itself should* be "unbundled", thus separating its administrative, *judicial and regula*tory functions; and that the EC should recognise that not all member states will always want to participate in all areas of policy. He speaks of extending the European Union "on the basis of 'non-coercive' techniques for joint action".

The precise details are of less *immediate moment than the ques*tion of whether Britain should thus attack *Brussels expansionism. Re*opening Maastricht before 1996 would be a nightmare; sending out signals of the Vibert kind might dissuade the Commission from making any such attempt.

Britain is in a strong position in *the EC this year.* The French and German governments are in temporary *difficulties. There will be* plenty of miniature "Euro-rows" – over border controls, for example, or social policy – but Mr Major's stance, at the "heart of Europe" is *convincing*. The British presidency, which begins in a few weeks' time, *will take further the debates on* enlargement and the Community budget. The single market has yet to be completed. The Common Agricultural Policy needs restructuring. It is tempting to regard this full agenda as a protection against the *introduction of further structural* ideas before 1996. Perhaps it is. Yet the best defence is counter-attack, as when Jerry ties the cracker on Tom's tail. Remember?

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Brazil's President Collor talks to **FT writers** about the Earth Summit and the challenges of economic reform

Determined driver of the 'last train to modernity'

In three weeks Brazil's President *Fernando* Collor de Mello is due to host the UN conference on Environment and Development, better known as the Earth Summit – an occasion he describes, with perhaps pardonable hyperbole, as "the conference of the century".

With more than 100 heads of state expected in Rio de Janeiro, Collor's Brazil will be on show at a critical time domestically. The coming months will determine whether Latin America's largest economy can break free from a decade of chronic inflation (still running at 20 per cent a month) and return to its historic pattern of rapid growth, or, whether the government will be forced to abandon its adjustment programme in the face of political pressure and mounting social problems.

In an interview Mr Collor seemed determined not to yield to demands to relax his deflationary policy which has prolonged a recession which began in 1989. "We have caught the last train to modernity. If it's not going as fast as we'd like it's because obstacles are being placed in front of us daily as if to test us. But we are overcoming them."

Collor: 'The ministers must obey and are obeying'

Lacking a sufficient political base to steer crucial economic reforms through Congress, Mr Collor was forced last month to bring into his government old-style politicians who are already asking for increased funds. But at the same time the government's failure to meet first quarter targets of an economic stabilisation programme with the International Monetary Fund will mean increased pressure to slash public spending even further to prevent a collapse of the accord.

According to official figures, expenditure was already down about 60 per cent in the first quarter, compared with the same period last year, achieved by a virtual freeze on all new spending commitments. At one point even the foreign ministry's telephones were cut off because the bill had not been paid.

Mr Collor insists he will resist pressure for higher social spending from politicians who face important local elections this October. "These pressures are legitimate in the sense of the need for state investment but it is also legitimate for me to insist on sticking to my stabilisation programme. The ministers must obey and are obeying."

Mr Collor's new pragmatism contrasts sharply with the gimmickry of two years ago, when he came into office pledging to "slay the inflationary tiger with a single bullet." The 42-year-old president now admits that the people he brought into his initial cabinet were inadequate to the task. "It was a team of young idealists without experience. I've learnt through time that I needed people with more experience and thus I have now brought into my cabinet older people with professional qualifications and sound ethics."

Himself a political outsider from the backward north-eastern state of Alagoas, Mr Collor assumed office in March 1990 with monthly inflation at 84 per cent and immediately stunned the nation by freezing four-fifths of commercial bank accounts, in between riding jet-skis and flying fighter aircraft. Now after two failed economic plans he has abandoned what is known locally as his "Indiana Jones" approach in favour of strict fiscal discipline embodied in the staid persona of the Economy Minister, Mr Marcilio Marques Moreira.

Collor has abandoned what is known locally as his 'Indiana Jones' approach

The change has taken a visible personal toll on Mr Collor. His hair is now sprinkled with grey, and he admits to having lost 14 kilos (30lb) while in office. There have been persistent rumours about his health, although in this week's interview he appeared relaxed and fit.

The austerity programme is extracting a heavy social cost of which symptoms are not hard to find. This week, São Paulo, Brazil's largest city, has been paralysed by bus strikes. Over the past month 30 supermarkets have been ransacked by mobs in Rio de Janeiro, and there is considerable unease in the military over low pay. Brazil has the world's worst income distribution and last month the minimum monthly salary fell to less than $40.

Mr Collor admits he is concerned but insists that "improvement of standards will come only with the return of economic growth to the state. At this stage it is necessary to defeat the phantom of inflation, balance public accounts and reduce the role of the state in areas in which it should not be operating. It's a *project of extraordinary ambition which will not produce overnight results.*"

Brazil has come under frequent attack for the widely publicised murders of street children by death-squads, and Mr Collor insisted that the welfare of children is his highest priority. A large part of the budget, he said, is being devoted to "integrated assistance centres for children", designed "to rescue children from the streets".

He added that education is essential for Brazil's economic growth. "We cannot enter the first world with third world labour. Cheap manpower is no longer an incentive to investment." Pointing to the array of Brazilian-made tank, fighter-jet and rocket models arranged on his shelves, he said: "It's no good building computers and planes if in the future we're submerged by a wave of ignorance."

Brazil is still lagging behind the rest of Latin America in the reform process. It has by the highest inflation in the region and is the most closed market, imports only representing 5 percent of GDP. But Mr Collor warns against comparisons. "Brazil is a continent-sized country which has both first-world oases such as São Paulo and areas of intense underdevelopment."

He added: "Brazil has enormous potential and possibilities. With stabilisation I have no doubt that Brazil will be the best alternative for foreign investment."

One of the problems which makes Brazil's difficulties so intractable is its rapid population growth. Despite his somewhat sensitive position as president of the world's largest Catholic country, Mr Collor plans to bring population control into the discussions at the Earth Summit.

Mr Collor believes industrialised countries' concern about world population is motivated *mainly by fear of uncontrolled* migration. But, he says, "developed countries spend three or four times more to receive an immigrant than the investment it would take to create the conditions to keep him in his country of origin. People move because they are looking for opportunities for survival."

Taking as an example the *garimpeiro* (wildcat gold miner) in Amazonia, he said "the *garimpeiro* doesn't cut down trees because he wants to see logs on the ground, or pollute rivers because he likes seeing fish dying. He has travelled thousands of kilometres into the jungle in search of survival. When we ran an operation to remove garimpeiros from the Amazon one sent me a letter saying, "Fine, Mr President, but how do you expect me to live now?"

Mr Collor said he was now far more confident of the Summit's success than he had been a month ago, particularly since the confirmation this week that US President George Bush would attend. "It would have been a disaster if the US had not been represented at the highest level," he said.

He believes the importance of the conference cannot be overestimated. "If we continue as we are today, the planet will not survive the next 50 years."

Reporting by Stephen Fidler, Christina Lamb and Edward Mortimer

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

A banking bid based on a faulty premise

From Messrs Joe McCue and Peter Moles.

Sir, It is not clear how Prof Littler and Dr Ciancanelli of UMIST (Letters, May 12) can legitimately discriminate with regard to the Midland takeover in favour of Hongkong and Shanghai Bank's "international" bid. This is yet another example of the discredited 1980s cross-border bank acquisition mania. From the standpoint of Hongkong Bank shareholders, such an acquisition is frankly a nonsense as the bank can perform its own diversification without paying the penalty of a control premium.

Even without such costs, the "international" bid lacks sense. The experience of banks in international acquisitions has been devastatingly bad. Concepts such as global networks and international connections are now thoroughly discredited. To our knowledge, no research has demonstrated enhanced economies of scale at the international level. In fact, quite the reverse: real savings are best achieved in the "in-market" situation. It is now obvious that customers can easily "unbundle" these so-called global services to the detriment of international banking conglomerates. Because of poor profitability, not least in their international networks, banks everywhere are retreating to core or least-cost producer positions and ruthlessly discarding poorly performing services. This is the change that is now overdue in the UK banking sector and only now being undertaken, spurred on by monumental loan losses in the current recession. The emphasis is on cost-effective services as epitomised by the Lloyd's alternative. For Hongkong Bank to take over Midland will do nothing for Midland's dismal profit record. The rationalisation and job losses the international option would seemingly avoid will happen nonetheless. Lloyd's bid has the virtue that it can identify significant cost savings benefits from eliminating Midland's overheads.

If Hongkong Bank wins due to the monopoly reason, it may yet dispose of the retail operation after taking the cream investment banking business and once it establishes its beachhead in Europe. Because its bid is based on a faulty premise, it is merely postponing the inevitable restructuring of Midland Bank. Fighting against valid market forces makes for strange bedfellows and for long-term hangovers!

Joe McCue,
executive in residence,
Peter Moles,
lecturer in finance,
University of Edinburgh,
department of business studies,
50 George Square,
Edinburgh EH8 9JY

'Inappropriate' for civil servant to join Anglian Water

From Mr David Elyan.

Sir, You report (People, May 13) that a deputy secretary in the Environment Department has just been made a non-executive director of Anglian Water. "There will be no conflict of interest," you say, "because the department has been restructured" following the privatisation of the water companies.

You say that the appointee has also been a director of a subsidiary of John Laing.

Such appointments are and always will be particularly insensitive and inappropriate. The fact that a public servant has the time to devote to one or more non-executive board appointments and the fact that remuneration is paid for such services are matters of considerable public interest.

I hope that the powers that be in the Environment Department (or indeed any other department) will look again at this and any similar appointments and realise that the granting of such permission is an error of judgment which should not be allowed.

David Elyan,
Communication Investments,
8th floor,
Queen's House,
Holly Road,
Twickenham, Middx, TW1 4EG

Carbon tax a dead duck for EC

From Mr Marcus Rand.

Sir, Your article "Carbon tax faces Europe with steep cost rises" (May 14) raises a number of key issues. By making the proposed tax conditional on the US and Japan following suit, the EC tax is in fact a massive dead duck with no chance of being implemented. The US has resisted any proposal to reduce its own emissions, and is certain to ignore this.

In reaching this "achievement", the EC has abandoned plans for Europe-wide renewable energy and efficiency initiatives. These initiatives, like the carbon tax, are necessary to stabilise carbon dioxide emissions by 2000 to 1990 levels.

The net result of this massive compromise to the fossil fuel lobby will, according to the EC's own analysis, result in a 12 per cent *increase* in the emissions of carbon dioxide by 2000.

The conditionality of this announcement has effectively handed over EC decision making on global warming to a former oil company head: George Bush. The best the EC can offer in the build up to the Earth Summit is to do nothing. But by doing nothing the EC has taken a determined step: to *increase* its contribution to global warming.

Marcus Rand,
energy policy researcher,
Greenpeace,
Canonbury Villas, London N1

Auditors: questions of responsibility and of cost

From Mr J A Leek.

Sir, Mr Philip Wood's call (Letters, May 13) for the Caparo case (limiting auditors' liability) to be reversed is both welcome and timely. How appropriate that you should publish it on the same day as the radical Auditing Practices Board proposals to widen the power and scope of auditors.

Although auditing is long established, it is not yet the oldest profession in the world. It should therefore heed carefully Kipling's famous warning about "power without responsibility ...."

J A Leek,
group chief executive,
Caparo Group,
103 Baker Street,
London W1M 1FD

From Mr Bernard Juby.

Sir, For the enlightenment of the outgoing president of the Chartered Association of Certified Accountants ("Move to cut audits attacked", May 8), the cost of an audit is a regressive "tax" on small businesses.

With 78 per cent of all UK companies having an annual turnover of less than £100,000 (only 2 per cent with a turnover of more than £1m and 1 per cent more than £10m) most businesses are very small.

The business development unit of Manchester Business School has produced figures from which it can be shown that the cost to a company with a turnover of £20,000-£50,000 is between 5.5 and 2.2 per cent of turnover, while for a company with £1.5m-£2m turnover it is only 0.3 to 0.2 per cent, a difference of 25 times at the two extremes.

When a business is wholly-owned by husband/wife the additional cost of an audit over and above the accountancy fees is obtrusive and worthless. It is also an unnecessary extra cost and the sooner it is scrapped the better.

Bernard Juby,
Federation of Small Businesses,
140 Lower Marsh,
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London SE1 7AE

OBSERVER

Parting walls

■ Compact, rich and handsome Stephen Walls, just gone down the gangplank from the good ship Arjo Wiggins Appleton, looks to be becoming a bit of a corporate flibbertigibbet – which, as any international executive knows, can damage even the best-managed reputations.

No one can quibble about his 13-year apprenticeship at Chesebrough-Ponds in the US. He's also said to have done well while briefly running Plessey before GEC interrupted. But having helped to demerge Wiggins Teape Appleton from BAT and then meld it with Arjo-Prioux, 44-year-old Walls is again collecting his P45 and presumably another golden handshake. His French shareholders were not prepared to back a young man in a hurry.

Were it not for the earlier resignation from the AWA board of Henry Wendt, SmithKline Beecham's respected chairman, Walls's reputation must surely have suffered more than it has from the latest boardroom bust-up. And even as things are, it's hard to judge his success as a £400,000-plus chief executive; he has never stayed in one job long enough to be tested.

Come to think of it, if only he were a bit younger, he'd probably make a good merchant banker.

Hiccup

■ Is the Old Testament right that man dates from God's creation 5,752 years back, or did he evolve more lengthily as Darwin said? The question has somewhat stumped Pepsi-Cola's first launch in Israel, where Coca-Cola has long had the market to itself.

Planned advertisements suggesting Darwin was correct, and that today's homo sapiens drinks Pepsi, turned the stomach of the ultra-orthodox Jewish community's court, Badatz. Unless the blasphemous ad was cancelled, it ruled, Pepsi's kosher certification would be.

The company and its local licensee, Israel's biggest drinks-maker Tempo, are still sweating over how to respond to the threat – a powerful one given that the religious community accounts for a good portion of the country's £170m soft-drinks market.

Meanwhile the local producers of Coke looked on smugly. Their impeccably kosher plant is sited in Tel Aviv's main ultra-orthodox neighbourhood, Bnei Brak.

Over to you

■ John Snow and John Price, and that's just for openers...Fred Rumsey will be on hand as first change. Any cricketing capitalists who feel up to facing the ex-England pace bowlers, should call John Ayling on 071-439 6070.

He's drumming up an FT Business XI to take on the Lord's Taverners, under former Test captain Mike Denness, at the Oval on Saturday June 27. First come, first picked, he says – although WPP's Martin Sorrell is already booked to play (not necessarily in the slips).

The only catch, before the game starts at least, is that playing will cost a charitable donation of at least £2,000.

Rice whine

■ If Tokyo-touring Dan Quayle has time between visiting factories, negotiating the new world order and such, he'd do well to watch a video called Imported Rice is Dangerous, just produced by the well meaning if protectionist Japan Offspring Fund.

"We're letting you go – here's your gold watch"

The video traces the tragic lives of weevils in three containers of rice. One houses the home-grown product, the next imported Australian rice, and the third the good old American rice that the US vice-president no doubt insists is served with his curries and chop suey.

A flourishing family of 50 weevils was added to the American rice and, allegedly owing to the effects of insecticides, 10 were dead within four days. The fate of the weevils in the Australian rice was still sadder: all 50 perished within a week. Of course, the weevils in the Japanese rice lived happily ever after.

Deep thinkers

■ Focusing attention on the fact that three out of the five new members of the prime minister's policy unit are women misses the point. The ideas of the new team are far more important than its sex. Unlike its predecessor, the new team does not have to concentrate on the short-term objective of winning an election.

Two of the new faces – David Poole and Damian Green – are well known in the City. Poole, son of a former Tory party chairman, used to be with Capel Cure Myers and more recently ran James Capel's corporate finance side. If the government is to take a look at the pensions business, Poole is the man to watch. Green, presenter of Channel 4 Business and a "Heathite" Tory, has some interesting ideas on the future of the TV licence fee – which could make the BBC twitchy.

Meanwhile, civil servant Jill Rutter's career does not seem to have been blighted by her work on the poll tax and Lucy Neville-Rolfe comes from a well-connected family. Of the existing team, Sarah Hogg's deputy remains Nick True, the man largely credited with having turned the Citizen's Charter from a bright idea in the prime minister's mind to the centrepiece of his strategy for improving the public services. *Alan Rosling, son* of Hanson vice-chairman Derek Rosling, also remains on board.

Spoken for

■ The Iron Lady is still stealing the show over Europe, as witness her performance at the International Securities *Market Association's* conference in Munich.

Appearing alongside German finance minister Theo Waigel, Mrs Thatcher advanced the thesis that all EC convergence means is other countries getting bigger subsidies from Germany and Britain. Isn't that right, she asked, turning to Waigel for support – only to find he had slipped away.

"Well," she said, unperturbed. "If he were still here, he'd say yes."

FINANCIAL TIMES
Friday May 15 1992

Revolt of Germany's low-paid

Public sector workers feel short-changed by unification, says Quentin Peel

IN THE end, the money simply wasn't good enough.

The tram-drivers and refuse-disposal workers led the revolt, when a clear majority of Germany's public sector workers yesterday rejected their 5.4 per cent pay rise, and opted in effect to go back on strike.

Few believe they will do so. They have been abandoned by the other lesser trade unions of the public sector – the railway and postal workers, policemen and white-collar clerical workers. But their gesture has nevertheless thrown Germany's industrial relations into further turmoil, and provided a dramatic demonstration of the disgruntled mood of the country's workforce.

It was a revolt of the lowest-paid, even when they had done best out of the deal, wrung from the government last week after 11 days of unpleasant and unprecedented strike action. According to the ÖTV, the largest public sector union to which they all belong, the lowest paid were getting well above 6 per cent pay rises from the deal, where the top ranks were being held down to barely 5 per cent. But it still was not enough.

The union leadership was obviously surprised by the backlash. Mrs Monika Wulf-Mathies, hitherto seen as a tough and technocratic leader of a ramshackle trade union, was clearly shattered by the outcome.

Equally it was a shock to the public sector employers – the central government, states and local authorities – which were dragged over the threshold of a 5 per cent offer only after seeing that strike action commanded much public sympathy.

It is also a shock for the rest of the trade union movement, where the mighty private sector unions, such as IG Metall, the engineering workers, IG Bau in the construction industry, and IG Medien in the print industry, are set on strike action. They urgently need a deal in the public sector to use as their baseline for the coming battle.

"There is no doubt in my mind that IG Metall and the rest will be totally frustrated by the outcome," according to one Social Democrat politician. "They need to use the public sector pay rise as a springboard, but that means they need to have it settled.

"On the other hand, the militancy of the public sector workers may convince the other union leaders that they must hold out for more. IG Metall has already made a serious mistake by suggesting they would settle for around 6 per cent."

The public sector vote seems to have been a two-edged revolt: by a radicalised grassroots membership against its own union leadership; and by a disgruntled workforce convinced it is shouldering an unfair share of the costs of German unification.

The perception of the German trade unions that the unification burden is completely one-sided, was spelt out in detail yesterday by Mrs Ursula Engelen-Kefer, deputy chairman of the DGB, the German trade union federation.

"It all began to go wrong with the great 'tax lie'," she said, referring to the repeated assurance of Chancellor Helmut Kohl and his colleagues, before unification, that there would be "no tax rises to finance unity".

First to go up were unemployment contributions, raised by 2.5 per cent on April 1 1991.

Then on July 1 last year came the big tax package: the 7.5 per cent "solidarity surcharge" on income tax; petrol tax up; tobacco tax up; and now, from next January, value added tax will go up by 1 percentage point.

"All these measures put far more burden on the workers and those on social security, for the financial costs of unity," Mrs Engelen-Kefer insisted. The extra contributions for pensions and unemployment alone will bring in DM50bn ($30bn) this year.

"The real incomes of workers sank in 1991 by 0.5 per cent, and in 1992 will hardly show any real growth at all .... Between 1989 and 1992, the purchasing power of pensions sank by some 0.5 per cent. Professionals, the self-employed and civil servants, as well as the higher paid, have been very largely spared the costs, with the exception of the solidarity surcharge," she said.

The business sector, "which has earned a massive amount from unification", had seen its tax burden reduced this year by DM5bn-DM6bn, she said.

No doubt the government would quarrel with the figures. But Mrs Engelen-Kefer does reflect (and inform) the thinking on the shop-floor. The feeling is ever more widespread that "it would have been better if the Wall had been left where it was".

In the German public sector, that general resentment has been aggravated by growing strains inside the 900,000-strong ÖTV itself.

Throughout the 1980s, the ÖTV concentrated on cutting working hours, rather than pushing up wages. The result was that its members slipped down the earnings league. Since 1989 they have been trying to reverse this, just when the real boom years were over.

Last year Mrs Wulf-Mathies managed all right – she got an overall 7 per cent. But this year her determination met the desperation of the government with its back to the budget wall, and there was a limit to the cash in the kitty. She thought it was enough, but her members disagreed.

Bonn rejects further discussions on pay

Continued from Page 1

the advantage of having a base figure from which to launch its own demand.

Mrs Monika Wulf-Mathies, the high-profile ÖTV union leader who led the 11-day public sector strike, and then recommended last week's deal, yesterday refused to resign after the setback.

"The result depresses us all, and it affects me in particular", she admitted. "We simply did not expect this mood."

She said that any attempt to restart the strike was unlikely to produce a better offer from the employers, representing the central government, the 16 federal states, and local authorities. Instead, she has ordered her officials to "consult the grass roots", and report back to a national executive meeting on May 25.

Mrs Heide Simonis, Social Democrat finance minister from Schleswig-Holstein, equally ruled out any further talks, saying the employers had already been pushed to the "absolute limit" of their financial capacity.

All the other unions in the dispute have now accepted the 5.4 per cent pay deal, including railway and postal workers, police, and clerical workers, leaving the ÖTV isolated.

Too old at 35 for an EC job

By Catherine Milton, Labour Staff, in London

If you are in your mid-thirties and would like to work in Brussels for the European Commission, don't bother to apply.

The trouble is, the Commission says, that people approaching 40 do not have long enough careers before they die or retire. This means that most of its jobs carry age limits of 32 or 35.

The policy, however, came under sharp attack yesterday from Britain's new employment minister, 37-year-old Mr Michael Forsyth, who said it was "stupid" because it prevented recruitment of people with skill and experience.

The minister accused the Commission of ageism, widely considered a regressive employment practice. The UK has more often been on the receiving end of such allegations over European social policy.

Mr Forsyth's remarks underline indications given this week by Mrs Gillian Shephard, UK employment secretary, that tackling age discrimination will be a priority when the UK assumes the EC presidency in July.

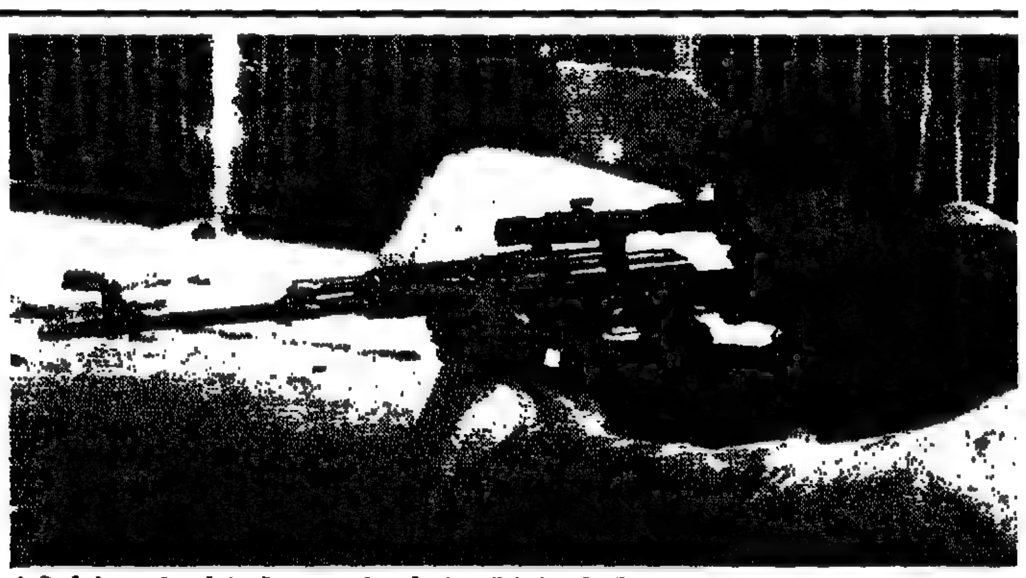
The UK Department of Employment, however, ruled out legislation against ageism, the approach favoured in the US: "Sometimes we are accused of being reluctant Europeans because we do not believe that piling on regulation is the way forward," said Mr Forsyth.

The UK Institute of Personnel Management is opposed to employers specifying age limits in advertisements or asking for ages on application forms.

Mr Forsyth told a recruitment industry meeting in London: "The Commission has set an age limit of just 35 on most jobs whether you wish to join as a lawyer or as a messenger."

"The recession has resulted in experienced and talented people in mid-career being made redundant. Too often we hear of workers being refused jobs because of their age – in many cases they do not get as far as an interview.

The European Commission said it may review the practice of specifying age limits in its recruitment literature.



A Serb irregular defends a position during fighting in Sarajevo

Serbs act to evade assets freeze

By Judy Dempsey in London and Laura Silber in Belgrade

THE SERBIAN authorities have been withdrawing assets from western banks, and from banks in Belgrade, the Serbian capital, in an attempt to circumvent further European Community sanctions.

The EC has not drawn up any concrete measures to seize such assets, nor have central bankers received warnings or instructions to prepare for such a possibility.

Nevertheless, western bankers and diplomats said yesterday that more than $1.5bn had been taken out of Belgrade over the past six months, while assets held in the UK had decreased.

Yugoslavia's assets abroad, which do not include assets held overseas by Slovene or Croatian banks, totalled $2.9bn up to December 1991.

Claims on Yugoslav hard currency deposits held in the UK totalled $685m by the end of December – $582m held in foreign currencies and the remainder in sterling. This represents a sharp fall from the previous quarter, when all Yugoslav assets in the UK totalled $1.1bn.

The decline is partly related to the withdrawal of these assets, as well as moves by Slovenia and Croatia, which declared their independence in June, to protect their assets against Serbia, and the Serb-dominated National Bank of Yugoslavia.

EC diplomats said yesterday that further sanctions against Serbia were discussed by foreign ministers on Monday. There was no decision to freeze Serbia's assets, a British official said.

Moves by the EC and the US to isolate Serbia have grown over the past week in an attempt to apply pressure on Serbia's president Slobodan Milosevic to stop the fighting in the former Yugoslav republic of Bosnia-Hercegovina. Serbia, and Montenegro, its ally, declared themselves the successor to the former Yugoslavia, but the EC, the US and the countries of east Europe have not recognised the new Yugoslavia.

The EC withdrew its ambassadors from Belgrade on Monday and will exclude Yugoslavia from any discussions about Bosnia at the Conference on Security and Co-operation in Europe.

In Sarajevo, capital of Bosnia-Hercegovina, the largely Moslem Bosnian Territorial Defence Forces yesterday made a desperate attempt to break a siege which Serb militia, backed by the Yugoslav army, have imposed on the city. General Lew Mckenzie, a Canadian commander of the UN peacekeeping forces, said Moslem forces tried to break out of the encirclement but the federal army "massively retaliated."

Faced with severe shortage of food and medical supplies, the Bosnia militia were forced to open a route out of the city, ending the fragile ceasefire announced by the Serb militia earlier in the week.

UN officials tried to negotiate a ceasefire between the leaders of the Bosnian Territorial Defence and Serb irregulars backed by the federal army.

Civil unrest in US dents Bush's popularity

Continued from Page 1

ference of mayors wants a $35bn action plan – roughly 10 times what Mr Bush has promised.

In private, even some senior Republicans are acidulous about their president's performance. One prominent senator is preparing to propose that Mr Bush – and Mr Clinton and Mr Perot – be grilled individually on television by the Democratic senator Kent Conrad and the Republican Warren Rudman. Both senators announced their retirement recently on the grounds that Washington was failing to come to grips with critical budgetary and social issues.

Mr William Safire, the independent-minded conservative columnist, writing in The New York Times yesterday, said of vice-presidential candidates: "The weak end of the Bush-Quayle team is Mr Bush, who should be grateful that the confident Dan Quayle is not trying to dump him."

World Weather

		°C	°F
Ajaccio	S	22	72
Algiers	S	26	79
Amsterdam	[illegible]	27	81
Athens	F	20	68
Bahrain	S	29	84
Bangkok	C	37	99
Barcelona	S	18	64
Beijing	R	[illegible]	99
Beirut	S	23	73
Belfast	F	17	63
Belgrade	S	25	77
Berlin	F	22	72
Biarritz	S	30	86
Bombay	S	34	93
Bordeaux	S	[illegible]	84
Boulogne	S	27	81
Brussels	S	28	82
Budapest	F	24	75
Buenos Aires		–	–
Cairo	S	32	90
Cape Town	C	20	68
Caracas	C	28	82
Casablanca †	C	21	70
Chicago †	F	8	46
Cologne	S	28	82
Copenhagen	S	15	59
Corfu	S	23	73
Dallas †	C	23	73
Dublin	F	17	63
Dubrovnik		–	–
Edinburgh	S	27	81
Faro	S	21	70
Florence	S	27	81
Frankfurt	S	28	82
Geneva	S	24	75
Gibraltar	S	21	70
Glasgow	S	26	79
Helsinki	F	18	[illegible]
Hong Kong	F	25	77
Innsbruck	S	25	77
Inverness	S	26	79
Islamabad	F	36	97
Istanbul	F	15	59
Jakarta	[illegible]	33	91
Johannesburg	S	21	70
Lisbon	F	20	68
London	S	25	77
Los Angeles †	F	16	61
Luxembourg	S	26	79
Madeira	C	20	68
Madrid	F	[illegible]	77
Majorca	S	25	77
Malaga	S	22	72
Malta	S	23	73
Manila	C	35	95
Melbourne	F	15	59
Mexico City	[illegible]	25	77
Miami †	S	21	[illegible]
Milan	S	27	81
Montreal †	C	7	[illegible]
Moscow	F	[illegible]	[illegible]
Munich	S	25	77
Nairobi	F	22	72
Naples	S	26	79
Nassau	F	28	82
New Delhi	S	38	100
New York †	S	18	64
Nice	S	26	79
Nicosia	S	25	77
Oporto	C	18	[illegible]
Oslo	S	18	64
Paris	S	28	82
Prague	S	23	73
Reykjavik	S	5	41
Rhodes	S	22	72
Rio de Janeiro	[illegible]	30	86
Rome	S	24	75
Salzburg	S	[illegible]	79
S'Francisco †	S	12	54
Seoul	F	22	72
Singapore	[illegible]	27	81
Stockholm	S	19	66
Strasbourg	S	27	81
Sydney	S	18	64
Taipei	F	29	84
Tangier	C	20	68
Tel Aviv	S	23	73
Tenerife	S	22	72
Tokyo	C	23	73
Toronto †	C	8	46
Tunis	S	25	77
Valencia	S	23	73
Venice	S	26	79
Vienna	S	23	73
Warsaw	S	19	66
Washington †	S	19	66
Zurich	S	25	77

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

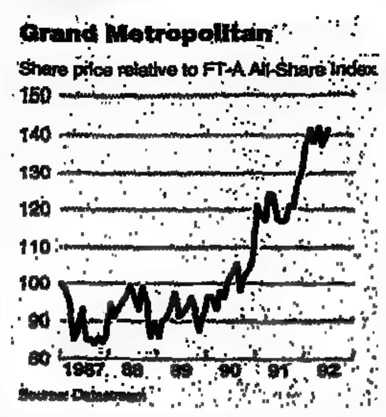
The world after O&Y

Doubtless Olympia & York will provoke more than a passing shudder in the banking and property sectors by seeking protection from its creditors. But, in practice, its situation will be no worse than it was before. It might even be better, since protection would clear the way for an orderly work-out. Otherwise the process could become dangerously bogged down in sniping between groups of lenders to one or other arm of the Reichmann empire. If creditors are now wondering what their security was ever really worth, at least they can be reasonably assured of equal pain.

If bank lenders have tacitly agreed to the plan, it also seems safe to assume that they have decided the pain will be bearable. There is certainly no systemic risk. Mexico had eight times as much debt as O&Y when it defaulted in 1982, even before inflating the figure to today's values. O&Y also has assets, which must be worth more than a Mexican promise to repay appeared to its shocked bankers 10 years ago.

Still, O&Y's banks face a protracted and complex restructuring with heavy bills for write-downs and unpaid interest. That much is probably already reflected in bank share prices. The main danger now is that the O&Y debacle could worsen the troubles confronting the rest of the property market. In this broader context, the protection that O&Y is seeking from its creditors may afford the latter some protection too.

FT-SE Index: 2694.7 (-25.8)



Arjo Wiggins

There are two possible reactions to the resignation of Arjo Wiggins Appleton's chief executive five days before the annual meeting. First, the company is better off for having resolved its internal tensions, however brusquely. Second, the event is alarming evidence of strategic disarray at the heart of one of Europe's biggest paper-makers.

The latter judgment is probably not so much wrong as premature. At the heart of the row is not merely a disagreement over whether to grow aggressively by acquisition. There is also a classic confrontation between the traditional autonomy of an Anglo-Saxon chief executive and the traditional controlling rights of a 40 per cent French shareholder. St Louis must now demonstrate that its preferred and safer route of organic investment need not mean unexciting earnings growth. In view of the prospective upturn in the paper cycle, that may not prove too difficult. But the London stock market will also want St Louis to make clear, if only through its choice of a new chief executive, whether it wants Arjo Wiggins to continue as an Anglo-French merger or become a French company pure and simple.

GPA

On the face of it, a multiple of 9.8 to 11.9 times historic earnings – well below the UK market average – looks a meagre valuation for a company with GPA's track record and global ambition. In view of the unusually public brouhaha over the offer price, it raises the question of whether investors are ending up with a bargain.

Certainly GPA has had to counter an image problem from the start, not least because of unpleasant comparisons with the ill-fated business of computer leasing. Under UK and Irish accounting rules, to be sure, the company takes the profit on its aircraft sales up front notwithstanding any liability to meet lease payments if an airline customer goes bust. A depreciation policy of 25 years with a 15 per cent residual value, moreover, is a bit racy by some people's standards. That said, something pretty bizarre would have to happen for GPA's assets to end up as technologically obsolete as Atlantic's computers. The second-hand market for the sort of aircraft in GPA's predominantly modern fleet looks reasonably stable, and the manufacturers have a strong vested interest in keeping it that way.

Given the one year lock-in provisions for existing shareholders and the company's prediction yesterday that a pick-up in leasing rates may still be 18 months away, some may be tempted to wait and pick up shares in the aftermarket. But this may be the kind of recovery story which stock markets like to climb aboard good and early.

Shell

The market was rightly impressed by Shell's first quarter figures. In the same period, the big US oil companies' net incomes on a replacement cost basis fell between 40 and 60 per cent and BP's dropped nearly 90 per cent. Stripping out exceptional credits, Shell managed to limit the damage to less than a third of its income. It also generated £1bn of surplus cash and invested £1.2bn, leaving gearing at a mere 5 per cent. In the oil sector at least, Shell is not so much ahead of the pack as in a class of its own.

Its present strength comes from its diversity. The US market was predictably awful but was more than offset by growth in European gas volumes and a strong downstream performance in the Far East. Its huge investment programme is already paying off, and the group is scarcely under peer pressure to increase its dividend any faster. Although the sector's cyclical problems are not over yet, Shell looks singularly well set for the long term.

Grand Metropolitan

Initial excitement at Grand Metropolitan's interim figures proved short-lived yesterday. Though the 7 per cent increase in pre-tax profits was above best expectations, a large part of the gain was thanks to currency movements. Organic growth in the continuing businesses was only 2 per cent. And while the interest charge was cut by 42 per cent compared with the same period of 1990-91, net borrowings have actually increased slightly since September.

The market's second thoughts may nevertheless have been overdone. Organic growth would have been higher without the losses at Pearle, which will doubtless eventually be set on its feet and sold. The borrowing figure was inflated by both a seasonal rise in working capital and the fact that disposal proceeds of some £170m had not been received when the accounts were struck. There may be a wait before economic recovery is felt, but longer-term prospects make a rating just below the market average look grudging.

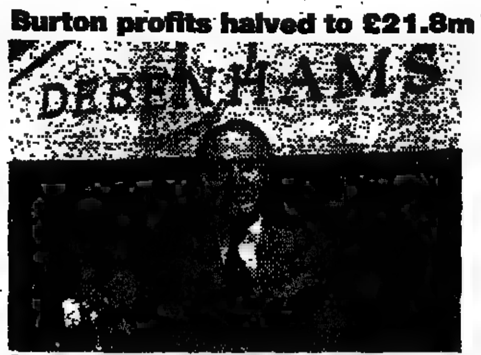
COMPANIES & MARKETS

INSIDE

Thomson trims loss in quarter to $47m

Thomson, the Canadian-owned travel and publishing group, reported a first-quarter loss of US$47m compared with a $48m loss last year. The figures include charges of $17m this year and $16m in 1991 for amortisation of publishing rights and circulation. Sales rose to $1.14bn from $1.08bn. Page 31

Burton profits halved to £21.8m



Burton Group, the UK department store and fashion group headed by Sir John Hoskyns (above), reported interim pre-tax profits more than halved to £21.8m ($39.6m) on sales 2 per cent higher at £934.6m. Page 35

Bank of Ireland up 43%

Bank of Ireland, the Dublin-based banking group, yesterday reported a 43 per cent rise in pre-tax profits to I£76.8m ($128m) for the year to 31 March 1992. A higher tax charge resulted in after-tax profits increasing 6.2 per cent to I£29.1m. Mr Paul D'Alton, chief financial officer, said the tax charge was due to the group doing less tax-based lending in the past year, and heavier losses in the US which cannot be offset against profits in Ireland. Page 37

Trying times for timber

It has been described as a combined ransom note and a blank cheque. This was one observer's assessment of a decision by the International Tropical Timber Organisation to ask producer nations to assess the resources needed to attain sustainable management of their tropical forests. Adam Raphael reports on the future economics of the tropical timber trade. Page 38

Unplugging Pacific telecoms

Telecommunications system operators in the Pacific Basin are being unplugged from state control. Privatisations are expected in Singapore, Korea, Pakistan and Thailand in the next few years, with, according to a recent report by Salomon Brothers, the US-based brokers, some $10bn of new equity coming on to the market over the next three years. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
DLW	570	+	7
Philips Kommun	580	+	10
Falls			
Heidelb Zem	930	−	11
Lahmeh	505	−	5
Metallgesellsch	420	−	4
Rheinmetall Ber	310	−	6

NEW YORK ($)

Rises			
Adolph Coors	29¼	+	1⅞
Lands' End	34¼	+	2⅜
NY Bancorp	15¾	+	1½
Falls			
Adv Micro Dev	15½	−	2
Cray Research	32⅝	−	5⅞
Gap	35⅝	−	4¼

New York prices at 12.30pm

PARIS (FFr)

Rises			
Gal Lafayette	1981	+	40
Immobanque	714	+	29
Falls			
[illegible] Entrepr	691	−	52
Industrielle	6500	−	290
LVMH	4030	−	235
UAP	536	−	19

TOKYO (Yen)

Rises			
Daiichi Housing	450	+	50
[illegible]	569	+	69
Jukan Sangyo	679	+	100
Koatsu Gas	583	+	73
Nippon Yusoki	800	+	119
Toa Valve	430	+	80

LONDON (Pence)

Rises			
Border TV	98	+	10
[illegible] Props	33	+	3
Burton	49½	+	7½
Capita	408	+	35
Compass	539	+	21
Fairline Boats	438	+	18
Fine Art Devs	440	+	15
Moorfield Est	46	+	14
Nichols(Vimto)	465	+	28
[illegible]	209	+	14
[illegible]	172	+	18
RCO	434	+	10
Select Appts	11½	+	3
S Staffs Water	843	+	33
Vickers	177	+	8
Warner Howard	301	+	15
Falls			
Arjo Wiggins	263	−	18
GEC	231½	−	10
Glaxo	739	−	18
Guinness	603	−	20
Hanson	232½	−	9
King Shaxson	74	−	17
MTM	54	−	4
[illegible]	64	−	4

Lufthansa turns in DM386m loss

By Andrew Fisher in Frankfurt

LUFTHANSA, the German national airline, made a pre-tax loss of DM386m ($234m) in the first quarter of 1992 and said it did not expect to end up in the black this year.

To cut costs, it is shedding 1,000 employees this year and refraining from new hiring. Originally, it had planned to take on 5,000 new people in 1992, twice as many as leave normally each year. More jobs will go in 1993.

The loss, in spite of a rise of 23 per cent in turnover to DM3.4bn, was lower than the DM476m of last year's first quarter, but this period was hit by the Gulf war. Mr Klaus Schlede, finance director, said the second quarter also showed a loss and he did not expect an operating profit for the full year.

The airline, in which the German state owns 51 per cent, said its 1991 loss was DM301m before tax against a profit of DM142m the previous year. The net loss was *DM426m* after a profit of DM15m. Turnover was 11 per cent higher at DM16.1bn, with passenger numbers up by 11 per cent to 29.5m.

As well as the Gulf war, Lufthansa suffered from the weak world economy and sharply higher airport and traffic control charges. It has decided not to take up 11 options on new aircraft in 1993 and to take 23 aircraft out of service later this year.

Mr Schlede said the Gulf war cost Lufthansa a net DM388m, while airport and traffic control payments were 24 per cent higher at DM2.1bn. Planned aircraft sales could not be made because the second-hand market collapsed as a result of airline overcapacity caused by the first drop in world air traffic since the Second World War.

The airline was also affected by landing and take-off delays, and Mr Jürgen Weber, chief executive, said some German airports were no longer adequate. However, he hoped for some relief from the opening of the new Munich airport next week.

Mr Schlede said Lufthansa's losses in Germany were around DM350m, with a seat-load factor of only 55 per cent. Its total worldwide break-even level is 67 per cent, but last year's seat-load factor was down 3 percentage points to 62 per cent.

Mr Weber said talks with US carriers on a partnership to increase Lufthansa's access to the US market were continuing.

Sears Roebuck shareholders deliver protest vote

By Barbara Durr in Atlanta and Nikki Tait in New York

SHAREHOLDERS in Sears Roebuck, the large but ailing US retail and financial services group, yesterday delivered a strong protest vote at the company's annual meeting in Atlanta.

Two non-management motions, put forward by "dissident" shareholders, attracted the support of more than 40 per cent of votes cast. This is an exceptionally large percentage in the US, where institutional investors have traditionally supported management.

The vote at the meeting comes amid some signs that the corporate governance climate in the US is shifting. Institutions – in particular, the large public pension funds – have shown increased willingness to flex their muscles, and last month non-executive directors at General Motors removed Mr Robert Stempel, chairman, from the leadership of a key board committee.

Shareholder dissent has been rumbling at Sears for some years, as the share price has stagnated and the company has been struggling to get its retail business back on track. Before this year's annual meeting, dissident shareholders had filed five proposals.

The most widely-supported motion yesterday suggested that the three-year staggered board terms at Sears should give way to the annual election of all directors; 41.2 per cent of all votes cast yesterday were in favour of this. A second motion, to tighten the confidentiality of shareholder voting, won the support of 40.9 per cent.

A proposal calling for the division of the chairman's and chief executive's responsibilities won the backing of 27.4 per cent, a motion asking for an independent study of the break-up values of Sears found 23.3 per cent of votes in favour and a suggestion that directors should hold at least 2,000 shares attracted 19.3 per cent.

The three non-executive board members up for re-election at yesterday's meeting were also returned.

Mr Edward Brennan, who combines the chairman and chief executive's positions and also oversees the retail division, said Sears was still aiming for a minimum 15 per cent return on equity, which would be reached in 1994. However, this pledge was attacked by Mr Robert Monks, a shareholder activist who has spearheaded much of the dissent at Sears.

The NYSE begins to show its age

The 200-year-old stock market is being left behind by its more modern rivals, writes **Patrick Harverson**

A few weeks ago a delegation from a newly independent Eastern Bloc state was shown around the New York Stock Exchange.

The visitors wanted to see a modern stock exchange, and hopefully learn something that would help them develop their own securities market. As the delegation strolled through the trading room, a voice was heard above the fray: "For God's sake, don't build one like this."

The anonymous advice goes straight to the heart of the problem facing the NYSE, which this weekend celebrates its bicentenary. *It may be 200 years old,* and it is still the world's largest stock exchange, but the Big Board's power in its home market is waning and it risks being left behind as financial markets head for the 21st century.

It has been remarked upon recently that no one, with all the computer technology now available, would design a stock market today along the lines of the NYSE, with its expensive trading floor, its hand-written paper orders, and its specialists who man trading posts every day but who for 90 per cent of the time play no real role in the market.

Over the past decade not one *emerging country* which has developed its own stock market has modelled its system on the NYSE, points out Mr Junius Peake, *a US financial consultant* who has advised governments on securities exchanges.

Why is this so? The NYSE is simply regarded as an expensive anachronism. The priority for many investors today, particularly the big institutions who trade big bundles of stock at one time, and for the brokers who handle large amounts of customer orders, is to cut transaction costs. Increasingly, many are finding alternatives to the NYSE.

In 1981, more than 75 per cent of the trading in all US stocks (measured by dollar volume) was handled by the NYSE. Last year, that share had dropped to not much more than half.

The NYSE has even struggled to hold on to trading of its own listed stocks. In 1981 it accounted for 82 per cent of all trades in NYSE stocks. Ten years later its share had fallen to 67 per cent.

The decline, however, is less precipitous when measured by the number of shares, rather than the number of trades, with the NYSE's share of volume over the same period falling from 87 per cent to 82 per cent.

The business the NYSE has lost has gone to a number of sources, including US regional and overseas exchanges, electronic markets like the over-the-counter Nasdaq market, commercially run trading systems such as Instinet, Posit, Madoff Securities and Spaworks, and in-house matching services run by a few big US brokerage firms.

The Big Board is seen by some investors as an anachronism

Foreign exchanges – generally London – are popular because they operate more relaxed reporting rules than the NYSE. The remainder are used because they save money for institutions and brokers.

Aware that the big issue today is cost, the NYSE has gone on the offensive, arguing that costs cannot be measured purely in transaction fees. *It claims the* exchange's customer-driven auction market, where there are no intermediaries to take a cut from the spread between the buy and sell price, gives investors the best possible price on trades.

This argument was supported by a recent Michigan University survey, which concluded that trades made away from the NYSE were often completed at unfavourable pricing terms, at a total cost to investors of as much as $55m a year.

Defenders of the NYSE point out that some of the business going elsewhere is being bribed away. Increasing numbers of broking firms have been diverting customer orders to rival markets *in exchange for transaction* fee discounts, which are not passed on to the end investor.

The NYSE also likes to emphasise that its system guarantees liquidity. During the 1987 Crash, the NYSE won much support when specialists on the trading floor bought stock from frantic sellers while dealers on rival electronic systems like Nasdaq refused to answer their phones.

Since then, however, the National Association of Securities Dealers has tightened its rules and says in future there will always be a marketmaker on Nasdaq willing to deal.

While the NYSE's customer-*driven auction system has mer*its, the continued use of the exchange's trading floor is more difficult to defend.

NYSE officials, recognising that the floor seems out-of-date in the hi-tech world, admit it would be possible to design an electronic market that keeps the customer-driven auction system, and the specialists, but dispenses with the floor.

The exchange has tried to keep up with changing times, partly by expanding its business hours to encourage more trading. But the after-hours session introduced 11 months ago has been only a modest success, while last year's plan to open earlier each morning was scuttled by opposition from member firms on the west coast.

Apart from bringing in new business and stemming the flow of orders to rivals, the NYSE's other priority is to attract more *foreign listings. The* exchange knows that US investment in overseas stocks is rising steadily, and it is desperate to service that growing demand.

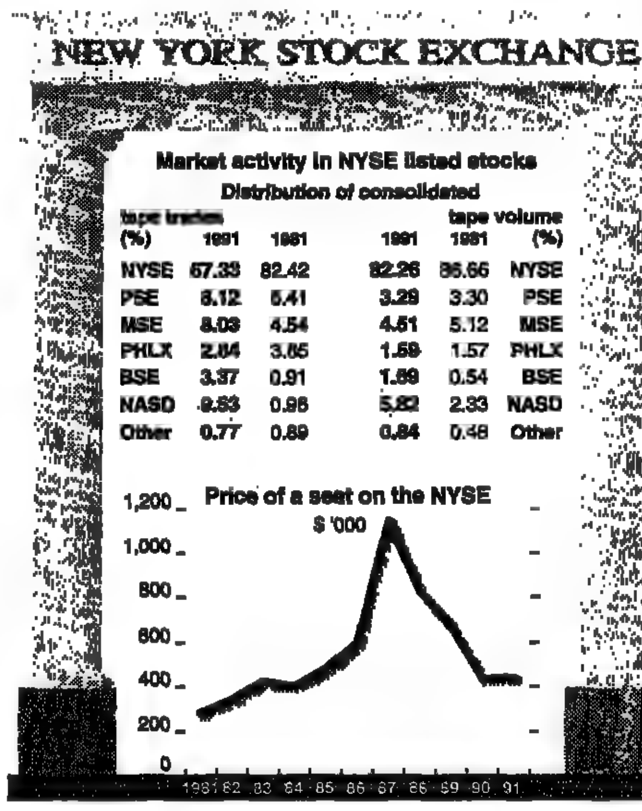
Standing in its way, however, is the SEC.

Determined to uphold its responsibility of protecting investors, the SEC has refused NYSE requests to relax financial reporting requirements for foreign companies so that their shares can be traded on the Big Board. The two sides remain locked in disagreement, and for the moment the *NYSE must put its ambitions on* hold.

Ultimately, the chances of the NYSE keeping up with the times will depend on the members who run the exchange.

To date, they have shown little inclination to instigate change. While the specialists hold sway *at the NYSE, they are unlikely to* do anything that threatens their valuable franchise.

As one cynic noted: "If bank *tellers* had run the banks, how many automated cash machines do you think there would be?"



Market activity in NYSE listed stocks
Distribution of consolidated

tape trades (%)	1991	1981	1991	1981	tape volume (%)
NYSE	67.33	82.42	82.26	86.66	NYSE
PSE	6.12	5.41	3.29	3.30	PSE
MSE	8.03	4.54	4.61	5.12	MSE
PHLX	2.84	3.85	1.59	1.57	PHLX
BSE	3.37	0.91	1.89	0.54	BSE
NASD	9.53	0.98	5.82	2.33	NASD
Other	0.77	0.89	0.84	0.48	Other

Hanson profits fall 17% midway

By Roland Rudd in London

HANSON, the Anglo-US conglomerate, yesterday reported a 17 per cent fall in pre-tax profits for the half year, making it harder for the group to continue its record of 28 years of earnings growth. Shares fell on the news to close 9p down at 232½p.

For the six months to March 31, pre-tax profits fell from £588m to £488m ($888.2m), which the company blamed on a fall in net interest receivable from £103m to £44m and the absence of a £68m profit on disposal of natural resources assets.

Trading profits were up marginally at £464m compared with £459m. Sales increased from £3.9bn to £4.4bn.

Lord White, chairman of Hanson Industries in the US, confirmed that the group was looking to buy a core business.

"The outlook for acquisitions is favourable," he said. "Recently we have begun to see some signs of recovery in North America and improvement in our early cycle building products and consumer companies."

The integration of Beazer, the aggregates and building business, was *largely* responsible for an £880m increase in provisions for liabilities which rose to £4.5bn.

Net borrowings were £1.59bn which have recently been reduced by the £132m sale of *Hanson's UK and Irish Ever* Ready companies and the £280m sale of its 2.8 per cent shareholding in Imperial Chemical Industries.

Mr Derek Bonham, chief executive, said there were likely to be more disposals to bring down net borrowings which he would like to eliminate.

The worst hit US business was SCM Chemicals which reported a 36 per cent drop in profit as average selling prices for titanium dioxide fell 9 per cent. Profits from chemicals were down from £72m to £46m.

A full six-month profit from *Cavenham Forest Industries* boosted the overall profits of forest products from £13m to £34m.

In the UK, Imperial Tobacco continued to increase profits from £124m to £131m.

Fully diluted earnings per share were down 12 per cent to 8.3p from 9.4p.

From July 1 dividends will be paid quarterly, the first payment amounting to 2.75p and subsequent dividends being not less than that amount.

Lex, Page 26

Chief of AWA quits over strategy

By Paul Abrahams in London

MR STEPHEN WALLS, chief executive of Arjo Wiggins Appleton, the Anglo-French paper group, is leaving the company after losing a board-room battle over strategy.

Mr Walls, known as a dealmaker, was prevented from making a substantial acquisition by *AWA's board. The decision* and subsequent resignation represents a significant change in direction for the group which *may adopt a much more conser*vative management style. It also represents a victory for AWA's French minority shareholders.

Mr Walls, 44, will leave the company in September.

He was managing director at Plessey before the electronics group was taken over by General Electric Company and Siemens of West Germany. He is believed to have left Plessey with about £1m from his outstanding contract and share options. He was earning nearly £400,000 a year at AWA.

Analysts believe Mr Walls wanted to buy a 35 per cent stake in KNP, a Dutch manufacturer *of coated paper which also* has substantial paper merchanting operations in the Netherlands, Belgium and Germany.

The deal, worth as much as £400m, was opposed by AWA's non-executive directors, which include Mr Nicholas Worms, senior partner of Maison Worms, Mr Pierre Dufournier, a former chairman of Arjomari-Prioux, and Mr Bernard Dumon, managing director of Saint-Louis.

Mr Henry Wendt, chairman of SmithKline Beecham, was a non-*executive director until 10 days* ago when he resigned over "differences of principle". Mr Wendt said yesterday his resignation was not for public discussion.

Analysts believe the acquisition of KNP would have required raising money from the market and a dilution of the French interests in the company.

Worms et Cie, the French financial group, indirectly owns about 39 per cent of AWA. It holds a 38 per cent stake in St Louis, which owns 97 per cent of Arjomari-Prioux which in turn holds 39 per cent of AWA. However, French sources deny the deal would have diluted their *stake.*

Analysts believe Mr Walls wanted to take advantage of low prices commanded by paper companies hit by over-capacity.

Observer, Page 25
Lex, Page 26

OLYMPIA & YORK ON THE BRINK

■ Filing for protection would block creditors' taking control of assets ■Judge orders $240m payment to Morgan Stanley

Not enough fingers to plug the dyke

By Robert Peston

MR PAUL REICHMANN, the publicity-shy founder of Olympia & York Developments, has for two months been struggling *to avoid asking the Canadian* and US courts for protection from his creditors under bankruptcy procedures.

But his bankers have become convinced over the past few days that court protection may afford him the best chance of carrying out an orderly reconstruction of his business, which has billions of dollars of properties in Toronto, New York and London.

Earlier this week, Mr John Major, the British prime minister, and Mr Robin Leigh Pemberton, governor of the Bank of England, were alerted to the prospect of O&Y seeking the protection of the Canadian courts from the competing claims of its many creditors. The Canadian government and Mr John Crow, governor of the Bank of Canada, were also told.

But the news was restricted to this small circle. In the unlikely event that O&Y changed its mind and tried to do without court protection, it was imperative that its preparations for bankruptcy filing should not leak. As the world's biggest property developer, with $12bn of debt, any premature public disclosure would have shaken the world's property and banking markets.

By yesterday morning, however, it was becoming clear to O&Y and its bankers that they had little choice. A long line of disgruntled creditors was queueing at Mr Reichmann's door in Toronto.

He had just been ordered by a High Court judge in London to make a payment of $240m to Morgan Stanley in respect of a contract by which the US investment bank had the right to sell to O&Y the lease on an *office in Canary Wharf*, the £3bn development in London's Docklands. Although the payment is in respect of the Docklands property, the liability falls on O&Y's parent company in Canada.

Morgan's claim was only the latest of several confronting Mr Reichmann. A syndicate of eight banks led by JP Morgan, the US commercial bank, is foreclosing on a $160m loan. Meanwhile, bondholders owed C$325m are furious that O&Y *is delaying payment of* C$17m in interest and are threatening to seize rents payable to O&Y by occupants of First Canadian Place in Toronto.

O&Y also faces a demand for immediate repayment from holders of several hundred million dollars of commercial paper, short-term debt securities, which are secured against another Toronto building, the Exchange Tower. As one of O&Y's bankers' said yesterday: "There are too many holes in *the dyke and not enough fingers to fill them*".

Since mid-March, when holders of C$800m of commercial paper demanded immediate repayment, Mr Reichmann has been using up all his fingers – and his toes – *filling* those gaps. He ran out of cash and has been having problems selling assets to raise more.

He and his advisers are convinced that his assets still have a net positive value – of about $5bn, according to Mr Reichmann. *But these assets*, mostly huge office blocks in Toronto and New York, would not fetch anything like as much as that if they were sold today.

O&Y's banks , led by Citicorp, Hongkong and Shanghai Bank and Canadian Imperial Bank of Commerce, have advised Mr Reichmann that he needs to create more time for himself if he is to succeed in producing a workable plan to realise assets over the long term and gradually reconstruct his business.

By filing for protection from creditors, O&Y puts a block on their ability to take control of assets. Mr Reichmann's hope would therefore be that O&Y will at some point emerge from the court's protection as a going concern.

Any reconstruction plan will be based on the proposals which O&Y put last Thursday to its 15 biggest bank creditor, who were representing all 100 of its banks. Mr Steve Miller, O&Y's chief bank negotiator and a partner in the US investment bank, James D Wolfensohn, asked the banks to suspend principal payments on most of the company's $12bn of debt for five years. There was also a request that they take new O&Y shares instead of cash interest on around $4bn of this debt. If the scheme were approved, the banks would *probably end up owning 20 per* cent of O&Y.

At the time of that bank meeting, O&Y's Achilles heel appeared to be Canary Wharf. It was the cost of building Canary Wharf which drained O&Y of cash in the first place.

O&Y has told its bankers it needs to raise £300m from a group of 11 Canary Wharf lenders to meet costs of finishing the office development over the next two years. But much of the £300m was required simply to pay interest to banks on loans already made. Banks were unhappy about doing this.

Their chief concern was whether the value of the Canary Wharf buildings – in *which 40 per cent of space is* unoccupied – would increase enough over the coming few years to make it sensible to lend any new money at all.

Bankers are encouraged that the UK government has been indicating it is likely to move thousands of civil servants down to Canary Wharf to occupy about 500,000 square feet of space. But the government has been proposing to pay only £10 per square foot, compared with the banks' estimate that a rent of about £18 would be necessary to make the project viable.

In the event, the Canary Wharf banks have provided O&Y with £21m, enough to meet costs until the end of May. Advised by Ernst & Young, the accounting firm, and Hillier Parker, the surveyor, they plan to decide by the middle of next week whether to put up any more money.

Canary Wharf may not go into administration, under UK insolvency procedures, following the Canadian bankruptcy filing, because at the moment no creditors are threatening to seize the Canary Wharf assets.

If it were the one part of O&Y which avoided bankruptcy filing, Mr Reichmann would allow himself a wry smile, since Canary Wharf caused the bulk of his problems. But one banker said of that prospect: "Theoretically possible, but..."

Relaxed attitude: workers at Canary Wharf bask in yesterday's sunshine while others, arriving by riverbus, head for their offices Colin Beere

Little risk for UK builders

By Andrew Taylor, Construction Correspondent

THERE WOULD be sadness among British contractors at the collapse of the developers of Canary Wharf, but most have already been paid for the initial phase of the project which has been largely completed.

Any problems that could arise would involve money which has been retained by Olympia & York against the possibility of defects emerging in completed buildings.

Normally developers would retain 5 per cent of the total cost of a building until it has been completed. After that developers can retain 2½ per cent of the cost as an insurance against defects developing within 12 months.

At least two large UK contractors are understood to be owed money by O&Y on this basis. *It is not clear what* claims companies might have on these outstanding sums should the developers be placed in administrative receivership.

If this happened, companies fitting out the large office blocks could also be at risk. This work is done last before the tenants arrive. Unfortunately for O&Y not enough tenants are paying rent to make the scheme viable.

Whether companies now fitting out buildings got paid would depend upon whether contracts are with the developers or the tenant. Most are likely to have insisted upon regular progress payments given the state of O&Y's finances.

Any loss of revenue would be bad news for builders when the UK construction market is in deep recession and new orders are in short supply. British contractors would be particularly concerned that the government might decide not to go *ahead with the £1.7bn* extension to the Jubilee Underground line. O&Y had been expected to provide up to £400m over 25 years towards the cost of building the extension.

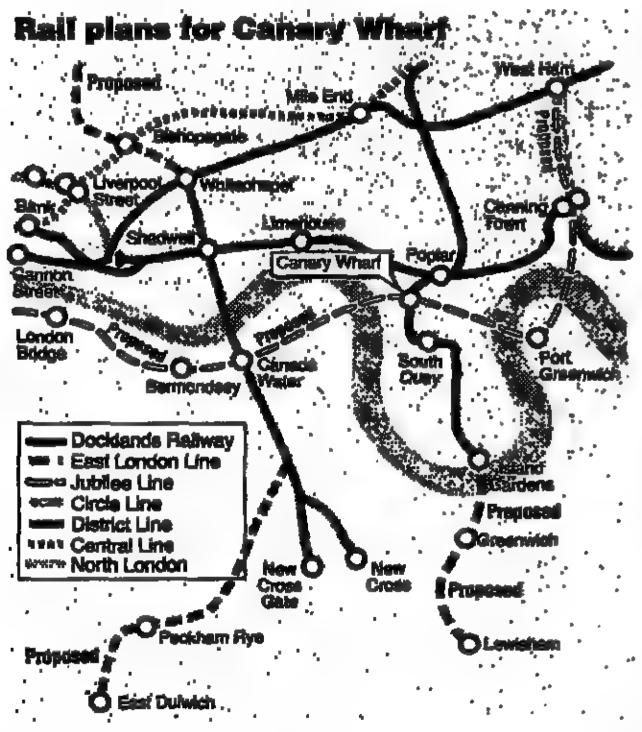
The project, which received Royal Assent in February, has attracted widespread interest from British and overseas tunnelers, although London Underground cannot place contracts until the secretary of state for transport gives the go ahead.

It has already identified an all-Italian consortium led by Italstrade as likely to win the contract for the 4.3km section between Canary and Canada Water on the south bank of the Thames.

Bidders for other sections include Trafalgar House of the UK, Cogefar of Italy, Spie Batignolles and Dumez of France and Hochtief of Germany.

At Canary Wharf only one building, known as B3, is left to be completed – and work on that is largely finished. There is also a small amount of civil engineering, including improvements to a jetty used by river buses.

Rail plans for Canary Wharf



Test of wills soon over Jubilee extension

By Richard Tomkins, Transport Correspondent

GOOD TRANSPORT links have always been seen as crucial to the future of Canary Wharf and London's Docklands. But with the final shape of Canary Wharf now in doubt, one question to be answered is whether those transport plans will be scaled back.

Projected government spending on Docklands transport is colossal. Over the next five years, the bill for upgrading the Docklands Light Railway, extending London Underground's Jubilee Line and completing the road links is expected to reach £3.5bn – many times more than is being spent on transport in the rest of the badly congested capital.

The government's commitment to the regeneration of Docklands means most of that spending will still go ahead. Road construction and the upgrading of the Docklands Light Railway are in any case too far advanced to be halted.

Where doubts do arise, however, is over the two transport links in which Olympia & York is financially involved – the RiverBus and the Jubilee Line extension.

The RiverBus, a high-speed ferry service running every 20 minutes along the Thames from Chelsea Harbour to Canary Wharf and Greenwich, is in danger of becoming an early casualty if O&Y collapses. Heavily loss-making, it has only survived this long because O&Y was prepared to finance it as a stop-gap service pending the completion of other transport links.

It only seems likely to continue if any successors to O&Y decide the losses are outweighed by the value of the direct links provided by the ferry between Canary Wharf and British Rail's London Bridge, Charing Cross and Waterloo stations.

The Jubilee Line extension from central London to Canary Wharf and Stratford, in east London – the most important link of all – also faces uncertainty. At £1.7bn it accounts for nearly half the projected Docklands transport spending.

In recognition of the fact that the value of the Canary Wharf development would be greatly enhanced by the Jubilee Line extension, O&Y had agreed to put £400m towards the construction cost. But only £100m was to be paid during the construction period: the remaining £300m was due in staged payments long into the future, so its effective present value was small.

O&Y and the Department of Transport had yet to sign a legal agreement covering the details of the deal. But the department has a letter from O&Y committing the company to the financial contribution, and ministers regard this as binding on the company and its successors.

What remains to be seen, however, is whether O&Y's banks see it this way, or whether they would try calling the government's bluff and default, in the expectation that the government would pick up the tab.

The government's view is that whoever takes control of Canary Wharf would accept that £100m is a small price to pay to secure the Underground line, given the fact that the investment will be recouped many times over through the enhancement of Canary Wharf's value. Conversely, without the line, Canary Wharf could become next to worthless.

But O&Y's banks are also aware that the extension of the Jubilee Line is crucial not just to Canary Wharf, but to Docklands in general; they may gamble that the political price of not proceeding with the project would be far greater than the missing £100m.

Whichever way, it seems likely that the line will be built. But the bigger question is over the timing. London Transport warned yesterday that it could not hold its project team together indefinitely. If the uncertainty lasts much longer, and the project team is disbanded, the Jubilee Line could be badly delayed – with all that implies for Canary Wharf and Docklands as a whole.

Family fortune slip slides away

By Bernard Simon in Toronto

THE conversation in the spacious, book-lined study of Paul Reichmann's home in north Toronto turned one recent Saturday evening to the subject of Canary Wharf. What went wrong, the Reichmanns' guests were wondering, with the family's mammoth showpiece in London's Docklands? "Canary Wharf," one of the Reichmanns replied defiantly, "is too good for the British."

Such bitterness is not surprising now that the family company, Olympia & York, is tottering on the brink of bankruptcy. Eulogised for more than a decade as the world's wealthiest and most astute property developers, the Reichmanns may now face the agony of watching the vast empire which they built crumble around them.

Ever since they started putting up industrial buildings on the outskirts of Toronto in the late 1950s, Paul Reichmann and his brothers Albert and Ralph have prided themselves on the innovative touches which kept them one step ahead of the competition.

Paul Reichmann has been heard ticking off one project after another where O&Y provided features and services which no other developer had thought of – from Toronto's 26-storey Aetna Centre built in the late 1960s, to the marble-decorated towers of Canary Wharf.

In spite of the Canary Wharf problems, Mr Reichmann's vaunted skills as a property developer are likely to remain *in demand if O&Y is forced* into the protection of the courts. But the Reichmann brothers, and especially Paul, will almost certainly play a less dominant role.

O&Y has always been run as *a family firm, despite its size*. Even in the years of helter-skelter growth in the mid-1980s, almost every decision, big and small, was made by Paul or his elder brother Albert. Their closest confidants for the past quarter-century have been the handful of men they recruited from O&Y's auditors. The company's offices still close well before sunset each Friday to allow the Reichmanns and other Jewish employees to get home in time *for the Sabbath*.

Not even the heads of O&Y's biggest subsidiaries have been invited to Paul Reichmann's unremarkable home in the heart of Toronto's Orthodox Jewish neighbourhood, whose most pretentious feature is a glass-ceilinged family room.

But things were starting to change even before the liquidity crisis broke in February and March.

Mr Reichmann late last year approached Mr Tom Johnson, former head of the US bank Manufacturers Hanover, to join O&Y. Mr Johnson spent less than three weeks as O&Y's president in March, but a precedent had been established for outsiders to have a significant say in running the company.

Mr Johnson has been succeeded as president by Mr Gerald Greenwald, a former vice-chairman of Chrysler. Another *ex-Chrysler man, Mr Steve* Miller, has for the past six weeks spearheaded O&Y's negotiations with restive banks and bondholders.

The Reichmanns remain O&Y's sole shareholders for the time being. But here too, their control shows signs of slipping. A milestone was reached in London last week when the family came to the reluctant conclusion that it had no choice but to offer creditors an equity stake – albeit a non-voting one – *in the parent* company, Olympia & York Developments.

O&Y has already started shrinking as the Reichmanns have stepped up their desperate search for cash. It has sold a controlling interest in Interprovincial PipeLine, one of North America's biggest oil pipeline operators.

O&Y has also announced plans to spin off its 19 per cent stake in Santa Fe Pacific, the biggest single shareholding in the Chicago-based railway, mining and pipeline operator. Its stake in Home Oil, a Calgary-based energy producer is also up for sale.

Even some of the precious real estate is on the block. O&Y has been desperately casting around for a partner to buy at least part of Canary Wharf. It has unsuccessfully tried to seal a sale-and-leaseback deal *on the 36-storey Exchange* Tower building in Toronto.

Some of O&Y's other North American properties are also for sale. But prospective buyers have so far found that Paul Reichmann – whose mild manner masks a tough, and even stubborn, will – has no intention of parting with them at bargain-basement prices.

Whether O&Y *can hang on* to the bulk of its property may depend mainly on the length of time its creditors are willing to wait to get their money back. The Reichmanns will be crossing fingers for a strong upturn soon in the North American and UK office property markets. The glut of office space in New York, London and Toronto does not augur well.

The damage which O&Y's troubles has wreaked on the Reichmanns' personal fortunes can only be guessed at. Forbes magazine last year ranked them as the world's seventh-richest family, with a net worth of $7bn. O&Y recently estimated the market value of its net assets at about $5.5bn. But the volatility of the property market and the sheer size of many of the company's buildings makes it hard to pinpoint a precise value until firm buyers step forward.

The Reichmanns own a web of private companies outside O&Y, including Olympia Tile, one of North America's biggest floor-covering distributors. The personal companies own some minor property assets, but as far as outsiders can tell, all the crown jewels remain under the O&Y umbrella.

Before the crisis broke, it was widely expected that O&Y's far-flung empire would eventually be parcelled out among the three brothers' dozen or so children.

Two of Paul Reichmann's five children are still at university in Israel, but several other members of the younger generation (and their spouses) work for the family company and sit on the boards of subsidiaries. One nephew is at Abitibi-Price, the newsprint maker which is 82 *per* cent-owned by O&Y.

But none of the younger Reichmanns has impressed outsiders as obvious successors to their fathers. Indeed, some of their present jobs could be in jeopardy if O&Y is forced into massive asset sales.

The question of succession will become less pressing as the family is forced *to loosen* its grip. Although the next generation will probably inherit a tidy sum by most people's standards, they might have had a lot more to look forward to if the British had been more appreciative of Canary Wharf.

Bitter brothers: Paul Reichmann (left), Ralph (centre) and Albert said Canary Wharf was 'too good for the British'

OLYMPIA & YORK ON THE BRINK

■ Hopes for keeping project out of administration ■ Failure would hit confidence in property market and push down prices

Problems on all fronts for Canary Wharf

By Vanessa Houlder, Property Correspondent

THE FATE of Canary Wharf, the project at the heart of Olympia & York's predicament, is not yet sealed. O&Y is still hopeful that its Docklands development will not be put into administration. However, its bankers may well judge that this would be the best way of dealing with the project, if O&Y decides to seek protection from its creditors.

If so, the Reichmann brothers' hopes of building a prestige office centre to rival the City and London's West End would probably be dashed for good. Canary Wharf's administration would make it far less likely that the project, now less than half complete, would ever be finished.

Administration would not solve any of Canary Wharf's problems. Banks are usually loathe to take property companies out of the hands of their managers. Administrators generally have less expertise than developers and their appointment is seen by potential purchasers as a reason to drive prices down.

The administrators' task in finding tenants to fill the unlet 40 per cent of the 4.5m sq ft project would be complicated by uncertainty over the ownership of the project and doubts over the extension to the Underground's Jubilee Line.

Attracting tenants will be a long, difficult process, whoever is in charge of the development. According to APR a research group, in the Docklands, 58 per cent of space is empty.

The quality of the Canary Wharf buildings is superb, but rents have so far been greater than anywhere else on the Isle of Dogs. Tenants are paying around £30 per sq ft – although incentive packages, including fitting-out costs, rent-free periods and rights to buy the freehold cheaply have sometimes halved the headline rent.

The banks are believed to be prepared to lower rents to £18 a sq ft, although the inducements offered by O&Y would no longer be available. That may not be cheap enough. The government, which is seeking 500,000 sq ft for the Department of Environment and parts of the departments of transport and trade and industry, is believed to be offering just £10 per sq ft.

The administrators' task in selling the Canary Wharf buildings would also be tough. There is a huge surplus of buildings on the market in London, although the strong covenants of the Canary Wharf tenants would be an advantage.

In the case of many failed property companies, banks and administrators have been anxious not to sell buildings cheaply, but rather to wait for an upturn in the market. If the banks decide to fund O&Y's share of the Jubilee Line extention, there would be an added incentive to have a long timetable for disposals.

The sale of the buildings would be unlikely to repay anything like the £1.3bn that has been spent on the project. Canary Wharf's complex construction and expensive finishes have made it a costly development, in spite of its low land costs. The prospects of rental growth, which were a key part of the original premises, have evaporated. Unlet space is virtually worthless at the moment.

Hillier Parker, the chartered surveyor which is advising banks on the project's value, may arrive at values that are significantly lower than previous valuations which used special assumptions. At the start of the year, it valued 10 Cabot Square, a 600,000 sq ft building, at £215m by assuming that the buyer could take advantage of the tax breaks and ignoring the risk of tenant default. Its US associate Landauer valued the Canary Wharf tower at £680m, which also is thought unlikely to be realised.

The consequences of Canary *Wharf failing for existing tenants* would also be severe. Not only would the Jubilee Line extension be in doubt and the prestige of their headquarters dented, but many would face the prospect of double overheads.

In many cases, O&Y agreed to take responsibility for their tenants' existing offices in central London. Legally, the costs of renting the old space would revert to the original tenant. There is speculation that the risk of being burdened with double overheads in this situation spurred some of the most recent arrivals at Canary Wharf to include let-out clauses in their contracts.

The sums are significant. Property agents estimate that O&Y has taken back at least 500,000 sq ft of space, including, for example Shearson Lehman's 240,000 sq ft of offices in the Broadgate complex. The severely depressed state of London's letting market suggests that they will have difficulty in attracting new tenants. That could leave Canary Wharf tenants paying an extra £20m in rents and rates on their old property.

For the banks, the downside of putting Canary Wharf into administration would extend beyond the project to the rest of the property market, which underpins a large proportion of banks' total lending. If a large quantity of new space was dumped on the market, it could drive prices down across the board.

A further risk for the London market stems from the damage that Canary Wharf's failure would inflict on confidence. Canary Wharf's central role in bringing down the largest and most admired property developer in the world will cast a shadow over London's attractions for international investors, particularly the less sophisticated.

The impact on London's letting market might not be so dramatic, although the City and West End will not welcome increased price competition from Canary Wharf. But even now, the remoteness of Docklands limits its impact on the centre. Moreover, the mothballing of future buildings in Canary Wharf would reassure a market that is grappling with record quantities of unlet space.

Perhaps the longest shadow cast by the failure of Canary Wharf would be over Docklands and the government's decision to allow the private sector to lead its development. Its evolution might have been very different had the government taken the lead and put in infrastructure at the outset.

Late in the day, the government has thrown itself behind the project's infrastructure, channeling £5bn of investment into east London between 1985 and 1995. This spending may yet save the area, particularly if the Jubilee Line extension goes ahead. It may be, however, that its image has been irretrievably dented, limiting its potential to that of other London suburbs like Hammersmith or Croydon.

Insolvency maze with three corners

By Andrew Jack

IF OLYMPIA & YORK enters a Companies' Creditors Arrangement in Canada, it may trigger a highly complex relationship with insolvency procedures in both the US and the UK.

Under Canadian law, a CCAA would allow the management of the company to remain in charge with protection from creditors. It could decide to allow O&Y subsidiaries in the US and the UK to continue to trade if they were solvent.

But if management decides to file for Chapter 11 protection in the US, and administration in the UK – the most likely insolvency options in either case – there are few precedents to guide co-ordination between the different national courts.

There are no international treaties to foster or require co-operation between the different national jurisdictions under which the O&Y empire could fall, according to Mr Bill Drake, second vice-president of the Canadian Insolvency Practitioners Association and a partner with Ernst & Yeung, the accounting firm.

There has been at least one recent case of a US parent company in Chapter 11, with a Canadian subsidiary under CCAA and one of its divisions under administration in the UK, he said. "A lot is being done by innovative, bright practitioners working with sympathetic courts prepared to take a pragmatic approach."

CCAA – which has its origins in a short piece of legislation called the 1933 Companies' Creditors Arrangement Act – has a number of similarities with Chapter 11 in the US.

The management of the company – as debtors – initiates proceedings by filing a petition with the senior court of the province under which jurisdiction it comes. The petition is almost automatically granted, protecting the company from any existing or future proceedings by creditors to recover their loans.

The management then has a period of at least six months in which to file a "plan of arrangement" with the court. In practice, this deadline is often extended with a new court order. In the meantime, the management can continue to trade and operate its business. A series of committees will be formed for secured and unsecured creditors, which must approve the plan of arrangement before it is brought to the court.

Teams of insolvency practitioners – generally led by lawyers but also including accountants and merchant bankers and other professional advisers – will be brought in to help develop the plan.

The court may also appoint an individual as a "monitor" during the CCAA process, who is responsible for reviewing the work of the management, gathering the financial information during the process for the court, and reporting on the fairness of the procedures if disputes arise.

If the creditors endorse the plan of arrangement when it is finally presented, the court is likely to endorse it. However, it may need to make a ruling if disagreements arise.

It is rare for the disagreements to go this far, however, because if the court has to make a ruling when the plan is not endorsed, the result is almost inevitably bankruptcy.

"It's a fairly onerous end of the road when the creditors realise that if they don't agree then the company is gone," says Mr Drake.

"By the time the plan gets to the courts, there have been extensive and at times exhaustive negotiations," he says. "It is very much a reiterative process to develop a plan acceptable to all stakeholders."

Meanwhile, it is possible that O&Y subsidiaries in the US and the UK could also be subject to equivalent insolvency proceedings. In the US, Chapter 11 would allow the management to remain in charge of the company as "debtor in possession". They are granted a stay from their creditors, and given 120 days – which is extendable – to file a "plan of reorganisation". This must be ratified by creditors' committees and the courts.

But Mr Sam Gerdano, executive director of the American Bankruptcy Institute in Washington, DC, notes that a recent estimate showed only 17 per cent of Chapter 11 reorganisation plans were accepted and implemented. The vast majority of companies ended up passing into Chapter 7 – bankruptcy.

If O&Y's UK subsidiaries pass into UK administration, the procedures are somewhat different. If a company's directors petition for insolvency, then a judge must decide whether to grant their request. If so, the judge appoints insolvency practitioners as "administrators."

The administrators run the company in place of the directors, and have three months – which can be extended – to draft a "scheme of arrangement". This must be approved by creditors and the court.

New York

	%	m sq ft
World Financial Ctr.	3	7.80
237 Park Avenue	36	1.10
245 Park Avenue	6	1.50
320 Park Avenue	100	0.70
425 Lexington Avenue	0	0.81
1290 Av of the Amer.s	7	2.00
60 Broad Street	75	1.00
125 Broad Street	33	1.20
55 Water Street	22	3.30
59 Maiden Lane	12	0.93
One Liberty Plaza	5	2.10
2 Broadway	36	1.60

Calgary

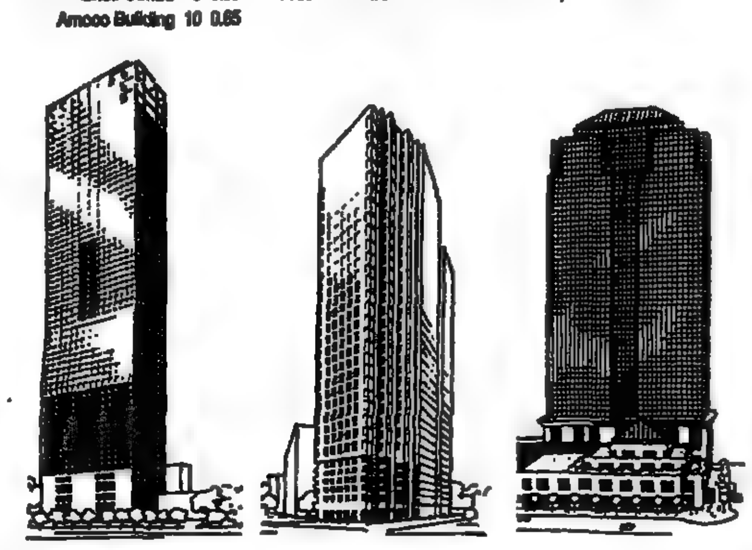
	%	m sq ft
Esso Plaza	12	1.50
Shell Centre	0	0.69
Amoco Building	10	0.65

Los Angeles

	%	m sq ft
400 South Hope St.	3	0.66
11601 Wilshire Blvd	19	0.47

Ottawa

	%	m sq ft
CD Howe Building	0	1.00
Esplanade Laurier	0	1.30



Chicago

	%	m sq ft
Olympia Centre	15	0.24

Dallas

	%	m sq ft
1999 Bryan Street	13	0.72

Edmonton

	%	m sq ft
City Centre Building	26	0.60

Toronto

	%	m sq ft
First Canadian Place	19	2.05
Scotia Plaza	15	1.50
Queen's Quay Term.	21	0.37
5140 Yonge Street	2	0.55
Aetna Canada Building	16	0.69
11 Adelaide Street	13	0.03
Exchange Tower	17	0.88

Orlando

	%	m sq ft
Olympia Place	28	0.40

Hartford

	%	m sq ft
1 Commercial Plaza	26	0.57
1 Corporate Centre	42	0.38

Boston

	%	m sq ft
Exchange Place	3	1.10

Portland

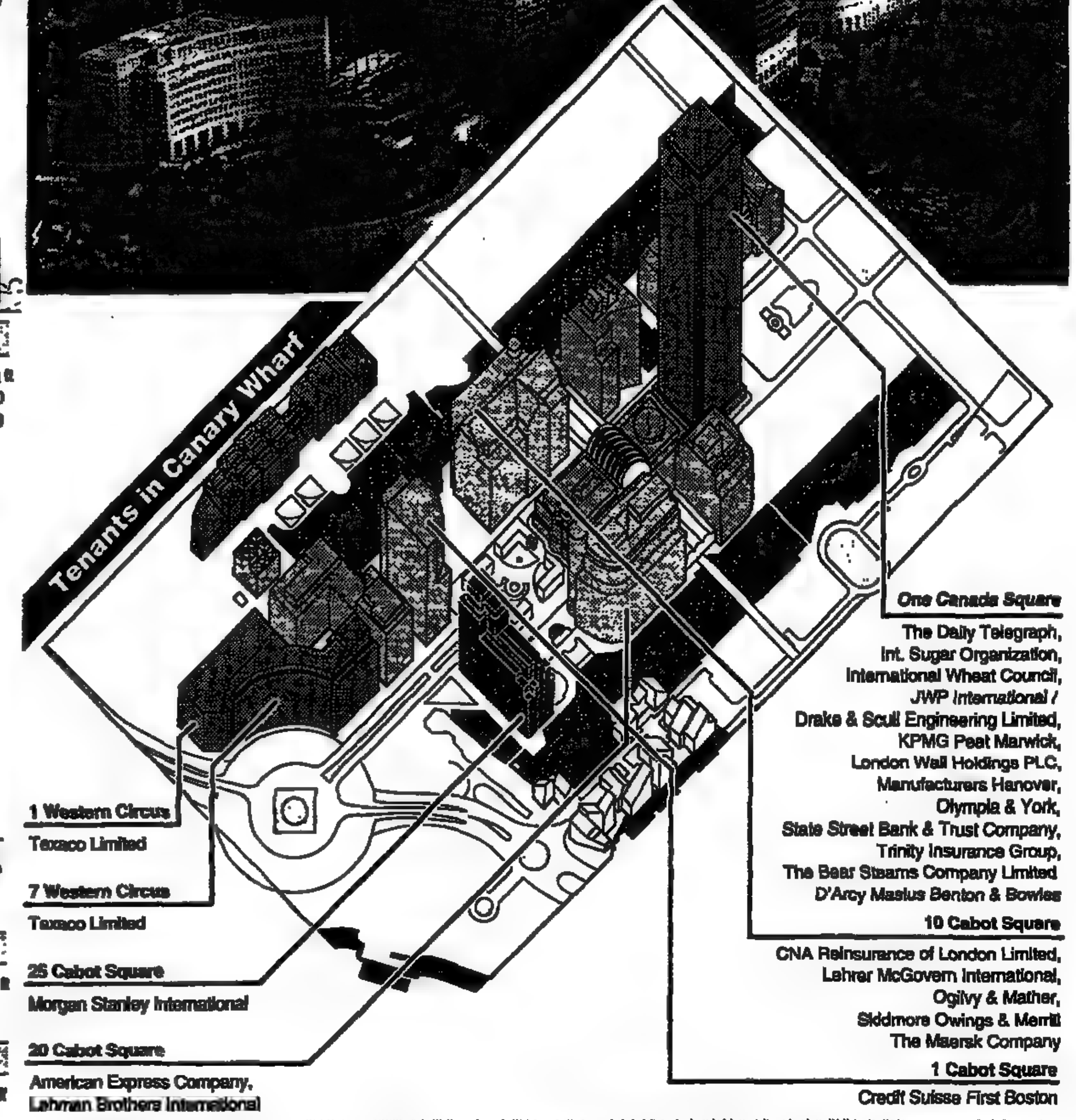
	%	m sq ft
Koin Centre	16	0.38

Springfield

	%	m sq ft
One Financial Plaza	10	0.25

Key: % vacant space; m sq ft total area in million square feet

Source: agents in each city



Biggest lenders

	($m)
Canadian Imperial Bank of Commerce	1000
Royal Bank of Scotland	1000
Hongkong and Shanghai Banking Corp	800
Citicorp	500
Commerzbank	350
Credit Lyonnais	350
Bank of Montreal	300
Bank of Nova Scotia	300
Dai-Ichi Kangyo	250
Chemical Bank	200
Barclays	200

Source: [illegible]

Stock Portfolio

		% of company owned by O&Y	Market Value ($ million) 1990	Market Value ($ million) 1992	% change
Gulf Canada Resources	(Common)	75	1,154	520	42.6
	(Preferred)	82	265	225	
Abitibi-Price		82	852	930	9.2
Trizec		35	857	375	-56.2
Triton		10	98	25	-74.5
Camdev Corporation		88	3	33	1,000.0
Catellus Development		15	114	100	-12.3
Santa Fe Energy		15	163	91	-44.2
Stanhope		33	117	32	-72.6
G W Utilities		89	940	487	-48.2
Rosehaugh		8	17	2	-88.2
Total			4,665	3,308	-32

Source: [illegible] / Datastream

Wizards no more in a fading docklands Oz

Richard Donkin finds some praise and a few potholes along Canary Wharf's yellow brick road

THE MESSAGE "We built Canary Wharf" was stretched across the ballooning body of a workman basking in the heatwave.

The tee-shirt had long since ceased to fit and the words were fading yesterday as fast as the Reichmann brothers' vision of a docklands Utopia.

The workman was approaching the Canary Wharf pier yesterday morning as the Riverbus discharged about a dozen passengers. Most were tourists.

Behind him in the spring sunshine the buildings of Canary Wharf rose majestically like the beaming city of Oz, shorn of its yellow brick road. The City was just a traffic jam away.

Mr Allan Paull, a retired professor from Toronto was visiting the centre with friends while on holiday in London. "This place is a big talking point in Canada. I really can't see it fail but I wouldn't say that about the Reichmanns."

While the Reichmanns may be facing a financial showdown, the people they have installed at Canary Wharf seem surprisingly upbeat about its future. The greatest sadness among the office workers and the shopowners yesterday was that they might lose O&Y as their landlords.

Mr Peter Wagg, who runs the newsagent in the small shopping mall at Cabot Place, said: "Yesterday we had 3,146 customers and that's a lot of income. When I came in October I was expecting to have to subsidise the business for two years. Instead I had to subsidise it two weeks."

Like all the shops at Canary Wharf, his rent is based upon a percentage of turnover. "I'm now paying more per square foot than I would be in Oxford Street but I'm quite happy to do so on the level of business I'm getting."

Whether O&Y survived or not, he said, he was planning a second unit in the development. His greatest fear is whether the quality of service would be maintained if the running of Canary Wharf were taken out of O&Y's hands.

He said: "I don't understand why this place has received such a bad press. It seems to be a British trait that anyone who gets to the top, whether a pop star, sports star, or O&Y, we have to knock them down."

Mr Stephen Yeates, the owner of the Lady Gwynfred, a Thames Barge converted into a floating restaurant, moored in the Wharf, said: "You only have to look at Tobacco Dock and the mistakes they made with shops which were available on every high street, to realise that O&Y has got it right here. They have gone for quality. The infrastructure has been planned and is on its way. The debatable question is whether it should have been installed beforehand."

The only place where the transport links have been completed is in the models of the development displayed in O&Y's marketing suite on the 30th floor of the tower. The private view is not for everyone. Not even the viewing platform of Europe's second tallest building is open to the public.

With the press of a button, a pulse of light brings to life the unfinished Limehouse link road and the proposed extension of the London Underground's Jubilee Line.

A mile away where the Isle of Dogs meets the river, Mr Ted Adams a former chairman of the Association of Island Communities, looked ruefully across the water. "The infrastructure is coming far too late. It should have been installed now and should have been given more thought."

His arm followed the flow of the river. "Look at this," he said. It goes right into the heart of London. It's maintenance-free and it's swept by God twice a day. This river should be part of a proper integrated transport system."

Mr Adams was one of the East End residents who raised barricades on the Isle of Dogs in 1970. "We declared UDI. We'd had enough," he said.

"There is a feeling here that to some extent the War never ended. After the bombs had fallen we had the slum clearance and the re-building then the reclamation of the docks. They have been building and knocking down buildings for 50 years. When is it going to come to an end?"

Mr Adams recalled the plaque that remembers Sir Christopher Wren, the architect in St Paul's Cathedral, his finest creation. It says "*Si monument requiris, circumspice* - If you are seeking a monument look around you".

"They would never leave a plaque like that in Canary Wharf. I don't think these buildings were made to last."

Shell shares rise on strong result

By Neil Buckley in London

SHARES in the Royal Dutch/Shell group, the Anglo-Dutch oil company gained £1⅞ to close at £46⅝ yesterday as the company announced surprisingly strong first-quarter results.

Increased earnings from exploration and production helped the company to increase net income on a historical cost basis to £858m ($1.52bn), up just over 1 per cent from £847m in the same period last year.

With the price of Brent crude around $3 a barrel lower than in the first quarter of 1991, analysts had forecast figures of between £450m and £650m.

Current cost net income, which includes stock gains or losses, fell 22 per cent to £954m from £1.23bn.

The figures reflected a strong performance in upstream and downstream businesses outside North America. Shell said margins in its Asian market remained relatively firm because of lower levels of export from the Middle East and growth in demand.

Mr Fergus MacLeod, oil analyst at County NatWest in Edinburgh, said: "These are very intriguing figures and completely at variance with anything any other company has managed to deliver. They reflect a great deal of success in holding on to margins at the pumps and the refineries."

Shell's oil production in the first quarter rose 6 per cent to 2.22m barrels a day. Gas sales volumes also rose 9 per cent to 8.31bn cu ft a day.

Earnings in the exploration and production sector rose to £468m from £443m last year, with higher production and special items including a US contract settlement and tax adjustment more than offsetting the lower oil price.

Downstream manufacturing and marketing earnings increased to £298m compared with £254m, although they fell on a current cost basis to £390m from £624m because of lower margins.

Gains from corporate items also boosted the figures.

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French takeover reforms approved

By William Dawkins in Paris

MR MICHEL SAPIN, the French finance minister, has approved a reform of takeover rules, obliging companies to offer to buy all the shares of companies they are bidding for, instead of just 66 per cent as previously.

The long expected change, which brings France more in line with UK takeover practice, comes in response to repeated complaints from minority investors that they were often left with small amounts of worthless shares in companies subject to two-thirds bids.

Their frustration became a national issue late last year, when Pinault, the diversified timber to retailing group, provoked an outcry by obtaining control of Au Printemps, the department stores group, by launching an offer for two thirds of the shares.

The plight of minorities won full support from stock exchange authorities, who argued that clearer takeover rules would help stem the flow of investment away from Paris to other European stock markets. The reform is therefore no surprise. Indeed, some investors have already started to launch full bids, once passing the 33.3 per cent stake at which an offer must be triggered, instead of making old-style partial offers.

GrandMet beats forecasts with £402m at half-time

By Philip Rawstorne in London

GRAND Metropolitan, the food, drinks and retailing group, topped market forecasts with a 7 per cent increase in interim pre-tax profits to £402m ($711.54m).

The result was helped by a £12m bonus from exchange rates but trading profits from continuing businesses in the six months to the end of March grew 11 per cent in sterling terms and 6 per cent in local currencies. Earnings per share rose 5.6 per cent to 13.3p. The interim dividend is raised 9.5 per cent to 4.6p.

GrandMet's share price responded with a gain of 7p to close at 499p.

Sir Allen Sheppard, chairman and chief executive, who predicted three months ago that first-half profits would be in line with last year's £377m, said: "Trading conditions in our major markets continue to be testing. The rate of our advance will depend on the rate at which the world economy recovers from recession." Recovery had begun in the US and there were signs of improvement in the UK, he said.

Analysts are forecasting full year profits of between £1.03bn and £1.06bn.

GrandMet's drinks division, IDV, contributed 54 per cent of the group's £437m trading profits. IDV brands achieved an 18 per cent growth in profits to £235m on turnover of £1.4bn, up from £1.17bn. In spite of contraction in the North American market, IDV profits rose 14.3 per cent in dollar terms and 24.2 per cent in sterling to £77m. Profits in Europe and the rest of the world were up 15.3 per cent at £158m.

Trading profits at Burger King rose 13 per cent in local currency terms to £48m on the back of increased sales and improved margins. However, losses at the Pearle eye-care stores rose from £5m to £13m.

Profits from the group's managed pubs and property business rose £4m to £26m but there was a loss of £7m on IEL, the GrandMet/Courage pubs joint venture.

The accounts include extraordinary profits of £139m from the sale of the Express businesses in the UK and Ireland.

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Accor expects profits up 10% to FFr1.05bn

By William Dawkins

ACCOR, the acquisitive French hotel group, yesterday forecast that its net profits would rise 10 per cent this year.

Mr Gérard Pélisson, group co-chairman, told yesterday's annual meeting that he expects net profits of around FFr1.05bn ($193m) this year, up from the FFr948.6m reported in 1991. Last year's profit was 5.6 per cent down on 1990, the first fall in the group's history, due to the Gulf war and a general fall in business travel and tourism.

Mr Pélisson warned that trading conditions this year and next would not be as good as in the four years to 1989, when profits rose on average by nearly 35 per cent annually.

Norwegian insurer dips

VITAL FOSIKRING, the Norwegian insurer, yesterday reported a NKr2m dip in first quarter pre-tax profit to NKr356m ($56m). Vital boosted first-quarter premium income by 29 per cent to NKr1.077bn from NKr838m in the same period last year, writes Karen Fossli.

Gross financial income increased by NKr86m to NKr846m. Vital said that asset values since end-March had risen substantially due to a recovery in prices on the Oslo stock exchange and greater stability in foreign interest rates. Operating expenses rose by NKr2m to NKr156m.

CGS seeks partners for Sogeti

By Alan Cane

CAP GEMINI Sogeti, the leading European computing services group, is seeking partners to join Germany's Daimler-Benz as shareholders in Sogeti, the group's holding company, according to Mr Serge Kampf, the CGS chairman.

His comment follows the announcement by CGS that talks with Olivetti, the loss-making Italian computer manufacturer, which had been going on since the early part of the year, had been abandoned. A statement said the discussions had become too complicated for the current state of the computer market, currently in its worst recession.

The subject of the talks had never been made public but there had been intense interest in the prospect of a deal between Olivetti, which is expanding its interests in computing services, and CGS which has remained independent of computer hardware manufacturers.

Olivetti has a broad range of alliances and associations with other companies but no single large partnership comparable with the deal concluded some months ago between Groupe Bull of France and International Business Machines of the US.

Mr Kampf refused to make predictions for the current financial year but said revenues in the first quarter amounted to FFr2.44bn ($448m) compared with FFr2.49bn in 1991.

A new streamlined and decentralised structure for the company would be announced next month, he said.

BBL advances 5.6% at halfway

By David Buchan in Brussels

BANQUE Bruxelles Lambert (BBL), Belgium's second largest bank, yesterday announced a 5.6 per cent rise in net, unconsolidated profit to BFr2.4bn ($72m) for the six months to March 31 this year. BBL also said Crédit Communal may take a 10 per cent stake in the bank.

Crédit Communal is one of a half dozen public institutions which the Belgian government has recently attempted to revitalise. Crédit Communal has pursued a more aggressive strategy than the others in linking up with private sector banks.

BBL said it would explore the "potential synergy" between the two banks.

The operating results at BBL improved by 17.4 per cent over the past six months.

At the same time, however, it said it was increasing provisions by 20 per cent to BFr4.9bn, in order to cover higher risks arising from lending to the former Soviet Union.

Sparebanken Nor back in the black

By Karen Fossli in Oslo

SPAREBANKEN Nor, Norway's biggest savings bank known internationally as Union Bank of Norway, yesterday reported that it had returned to profit in the first quarter, helped by a reduction in operating costs and stable income.

Operating profit was NKr4m ($629,400) compared with a NKr168m operating loss in the same period last year. Operating profit, before credit losses, rose by NKr137m to NKr317m. Credit losses were reduced by NKr35m to NKr313m.

Sparebanken Nor said that net interest income improved slightly to NKr657m from NKr644m. Operating costs were reduced by NKr61m to NKr584m. The bank boosted specified loan loss reserves to NKr2.6bn from NKr1.7bn in last year's first quarter reporting period. Unspecified loan loss reserves were increased by NKr367m to NKr1.17bn.

"The most important reason for the bank's improvement is a 14 per cent reduction in operating costs by the parent bank," Sparebanken Nor said.

LVMH climbs to FFr4.53bn

LVMH, the French luxury goods group, saw first-quarter group consolidated revenues rise 1.8 per cent to FFr4.53bn ($810m) from FFr4.44bn in the same period in 1991, AP-DJ reports from Paris.

The company also said a drop to FFr1.86bn from FFr2.33bn in wine and spirits sales "has no significance for the first quarter of 1992" as 1991 figures were boosted by buying before price increases.

European venture capital rises

By Andrew Jack

THE VALUE of venture capital funds invested across Europe rose by 12 per cent to Ecu4.6bn ($3.62bn) last year, in spite of the economic downturn and a reduction of new funding from venture capitalists in the UK.

The findings come in the annual survey of venture capital conducted by the European Venture Capital Association in conjunction with KPMG Peat Marwick, the accountancy firm, which was released yesterday.

Investment from EC countries outside the UK grew by 29 per cent. UK funds dropped from Ecu1.9bn in 1990 to Ecu1.7bn last year, but still represent 37 per cent of all European venture capital.

"Our main concern was whether venture capital was going to reflect the slowdown," said Mr Miguel Zorita Lees, chairman of the Association. "It has managed to weather the storm relatively well."

There were 4,111 new investments in 1991 amounting to Ecu3.57bn and 2,796 follow-on investments valued at Ecu1.06bn. The average venture capital investment was Ecu671,000.

Expanding companies and buy-outs accounted for 87 per cent of venture capital contributed, while seed capital to finance new businesses grew by 49 per cent. But the absolute amount of seed capital – at Ecu46m – remained a small fraction of all capital.

Mr John Hustler, head of venture capital at KPMG, said: "Venture capital investment assists with expansion-financing once a business is up and going. The big question is how to get more seed-corn investment for start-ups."

Small companies received the vast majority of venture capital, with 95 per cent going to enterprises with less than 1,000 employees.

There was little investment in high-technology industries, in which venture capital investment peaked in 1989. Mr Hustler said this was a function of the structure of European businesses.

He said there had been a sharp increase in investment in the medical and health sectors, while venture capitalists were still neglecting opportunities in telecommunications.

Philips offer to Super Club holders

PHILIPS, the Dutch electronics group, is to offer minority shareholders in Super Club, its loss-making Belgian-based video rental chain, BFr150 ($4½) per share for the 49 per cent of the company which it does not already own, writes Ronald van de Krol.

Instead of cash, Super Club shareholders may also choose to receive warrants on Philips shares worth BFr225 each, the liquidators of Swiss-based Super Club Holding said.

They said that the price of BFr150 had been agreed with leading minority shareholders, but it is not yet clear whether all shareholders will be prepared to accept Philips' offer.

If all the minority shareholders choose the cash alternative, Philips will have to pay BFr1.26bn to take full control over Super Club.

Thomson incurs hefty deficit

By Bernard Simon in Toronto

THOMSON, the Canadian-owned travel and publishing group, has blamed the continued slump in advertising in its North American and UK regional newspapers for a substantial first-quarter loss.

A 37 per cent drop in the North American newspaper division's operating profit virtually wiped out improvements in earnings from the UK travel business and lower interest charges.

The net loss, before preferred share dividends, was US$47m, or 9 cents a common share, compared with a $48m loss, or 10 cents, last year. The figures include charges of $17m this year and $16m in 1991 for amortisation of publishing rights and circulation.

Total sales rose to $1.14bn from $1.08bn, with most of the improvement coming from the travel and professional publishing divisions.

The company said North American newspaper results were hit by a 1.9 per cent drop in advertising lineage in the US, and a 6.4 per cent slump in Canada. Margins were also eroded by continued spending on product improvements.

The travel business has recovered strongly from the setback of the Gulf war. The company reported a 24 per cent jump in packaged holiday sales last winter, compared with 1990-91.

Sales of summer holidays are 8 per cent ahead of last year. The pick up in traffic benefited Britannia Airways, Thomson's charter airline subsidiary, and Lunn Poly, the UK's largest chain of travel shops.

The airline has found a buyer for all five of its Boeing 737-300s over the next 12 months. They will be replaced by operating leases on four larger Boeing 757s in 1993 and 1994.

Thomson said earnings from the North American professional publishing group were below expectations, but should be largely recovered later in the year when delays in product shipments were overcome.

Poor advertising hit the group's UK regional newspapers, but sales and profits of UK-based professional, business and academic publications have been encouraging.

Continental Air moves back into the black

By Nikki Tait

CONTINENTAL Airlines, one of the middle-ranking US carriers and in bankruptcy since late 1990, reported an after-tax profit of $17.4m in the three months to end-March.

This compared with a $181.3m loss in the same period a year earlier, when the Gulf war-related slump in traffic volumes drove the industry heavily into the red.

However, Continental acknowledged that the profit resulted from a non-recurring gain of $52.8m – mainly as a result of the sale of slots and gates at New York's La Guardia airport.

It did make a much-reduced operating loss of $3.7m in the period – compared with the $138m deficit 12 months earlier. Revenues in the first quarter rose to $1.41bn, from $1.32bn in 1991.

Gap profits rise 11% in first quarter

By Nikki Tait

THE GAP, one of the most widely respected specialist retailers in the US, yesterday reported an 11 per cent improvement in first-quarter profits, to $45.3m after tax. Operating profits rose from $67.1m to $78m.

Sales during the 13 weeks to May 2 rose from $490.3m a year earlier, to $588.9m. This partly reflects store expansion.

The Gap operates 850 Gap outlets, compared with 814 a year ago; 151 Banana Republic stores, compared with 131; and 235 GapKids, against 185.

The fashion retailer added that same-store sales had risen by 5 per cent, and said that it was satisfied with the outcome. However, it warned that the "economic environment continued to be challenging" with promotional activity more pronounced than in 1991.

Wall Street viewed the figures as disappointing, and marked the shares $3¾ lower at $37, in early trading.

● Tiffany & Co, the US-based jewellery retailer, said first-quarter sales and earnings results were below expectations, especially in Japan, Reuter reports from New York.

Earnings declined to $3.1m from $4.4m in 1991, before a $6.3m charge for an accounting change, in spite of a 10 per cent increase in sales to a record $107.2m.

Coors to spin off non-beer side

By Nikki Tait in New York

ADOLPH Coors, best-known as the third largest US brewer behind Anheuser-Busch and Miller Brewing, announced yesterday that it plans to spin off its non-beer interests as a separately-quoted stock market company.

Shares in the new company would be distributed free to the company's existing shareholders.

The new company would take in a fairly diversified range of businesses, including Coors's ceramics interests, its Golden Aluminum operation, a packaging subsidiary and three smaller "developmental" companies – namely Golden Technologies, ZeaGen and Micro-Lithics.

Coors said that the plan should leave the Colorado-based Coors Brewing Company largely intact. The businesses to be spun off had sales last year of about $544m, or about one quarter of the group's total. Among Coors's ceramics interests is a facility in Glenrothes, Scotland.

Coors's action is the latest in a spate of demerger moves by US companies. Only last month, for example, Ralston Purina, the large US consumer products announced plans to spin off its Continental Baking Company subsidiary, the nation's biggest wholesale baker.

Securities Data has calculated that 13 demerger announcements were made in the first quarter of 1992, double the figure for each of the preceding five quarters.

Yesterday, Coors's shares rose strongly, up $2½ at $20½.

Coors was formed in 1873, and is still largely family-run. Under the demerger plan, different members of the family would head up both entities. The diversification into ceramics first took place in the 1920s, when the prohibition of alcoholic beverages in the US temporarily shut down Adolph Coors's fledgling brewery.

Upjohn awaits Halcion rulings

By Karen Zagor in New York

UPJOHN, the Michigan-based pharmaceuticals company, should soon know the fate of its Halcion sleeping pill. The company's final appeal of the drug's ban in the UK will be heard today.

In the US, the advisory panel of the Food and Drug Administration is scheduled to make its recommendations on the drug next week.

When Halcion was first banned in the UK in October following charges that the drug was unsafe and caused memory loss and depression, the ensuing furore led to extensive re-labeling in the US and bans in some other countries.

Sales of Halcion, which was once the most popular sleeping pill in the world, plunged 39 per cent in the first quarter of this year.

Although the UK is a small market for Halcion, there is some concern that if the drug is not reinstated in the UK, other European countries will also ban Halcion. The final UK verdict is expected by mid-June.

In the US, it is widely expected that the FDA advisory panel will recommend that lower doses of Halcion remain on the market.

In November, the FDA approved a new package insert and smaller packaging of Halcion in addition to changes in labelling.

Upjohn has vigorously denied that there were safety problems with the drug, when it is used as directed. The company has said it welcomed the FDA's review as a chance to show, in a scientific setting, that Halcion was safe and effective.

Even if Halcion receives favourable decisions in the US and the UK, some analysts believe that the damage to its reputation, and to sales, may be irreparable.

On Wall Street, shares in Upjohn slid $⅜ to $35¼ at midday.

Texas Inst to enter PC chip sector

By Louise Kehoe in San Francisco

TEXAS Instruments, one of the largest US semiconductor manufacturers, yesterday announced its entry into the market for personal computer microprocessor chips with the introduction of its own version of an Intel-designed device.

Texas Instruments could become a formidable challenger to Intel, which is facing increased competition from Advanced Micro Devices and other chip companies that have produced clones of its leading microprocessor products.

In advance of Texas Instrument's announcement, Intel announced that it would slash the price of its 486SX microprocessors by 50 per cent in the third quarter of this year.

Intel aims to steer computer makers away from the older 386 generation of microprocessors toward the 486. In particular, the company aims to take advantage of the growth in low-cost PCs through mass merchants in the US.

"Now for the about the same price, computer users will be able to buy an Intel 486SX-based system that outperforms any 386-based system on the market," including those containing competitors' versions of the 386, said Mr Paul Otellini, vice-president and general manage of Intel's microprocessor group.

Intel said its price cuts were not related to Texas Instruments' anticipated announcement. However, TI's product introduction might provoke a legal battle between Texas Instruments and Intel, pitting two of the largest US semiconductor manufacturers against one another.

Equitable flotation scheme wins approval

By Nikki Tait

THE New York State Insurance Department has given the go-ahead for the demutualisation scheme at The Equitable Life Assurance Society, the large US life insurer.

This is by far the largest US demutualisation – the process whereby a mutual insurer, controlled by its policyholders, turns itself into a "conventional" shareholder-owned company. Equitable policyholders have already approved the move.

The next step in the process will be the flotation of Equitable shares on the stock market, an event scheduled for this summer. Once that is complete, Axa, the French insurance group, should emerge with a 40 per cent to 49 per cent stake in Equitable in return for its $1bn infusion of capital into the ailing US group last year.

Axa said that the initial public offering of Equitable shares in The Equitable Life Assurance Society of the US was expected to take place in July, following a period for appeals against the demutualisation approval.

Asarco pauses for breath after its headlong rush

Barbara Durr looks at how one US mining group has transformed itself from lumbering copper smelter to integrated copper producer

Asarco, the US mining metals group which spent $1.1bn over the past few years in a headlong rush to transform itself, is pausing for breath to put its balance sheet in better shape.

The group has sought to throw off its old image as a lumbering copper-smelter – mainly taking in material from other miners for refining – and assuming that of an integrated copper producer.

In 1985, before the transformation got under way, the group could supply only 25 per cent of the copper concentrate – an intermediate material – needed to keep its smelters fully occupied. Today it can supply 100 per cent.

Ironically, custom smelters have rarely been more profitable than today.

The world is suffering from a smelter bottleneck. Smelters are turning many potential customers away because of an abundance of concentrate and their treatment charges are very high.

Mr Richard Osborne, chairman, is not perturbed. "The world might be short of one copper smelter right now but money and time will take care of that," he says.

Asarco's short-term objectives are to ensure its heavy investments will pay off. "We must focus to a man on getting operating rates [at mines and smelters] up to where they should be," says Mr Osborne.

Asarco's restructuring took place at an opportune time. Mining properties were available because the US oil companies were disposing of their metals assets. Asarco also spent heavily to improve its own properties.

Its Mission mine in Arizona has been expanded by 42 per cent, enabling it to produce some 124,000 tons of copper this year. A 58 per cent expansion of the Ray mine was completed in February this year and it is expected to produce 182,000 tons of copper.

A revamp of its El Paso smelter, to increase capacity by 38 per cent, will be finished by 1993. And the redevelopment of its Silver Bell mine as a leach operation is expected to be completed in 1994.

The group plans no further acquisitions in 1992. "We must be careful that we don't take opportunities at too great a pace for the company to absorb. We must let the organisation pause every now and again," says Mr Osborne. However, he adds quickly: "But we haven't stopped looking for opportunities."

Meanwhile, Asarco has set about repairing the damage high spending caused to its balance sheet. Its debt has climbed from 26 per cent of equity in 1985 to more than 36 per cent. Mr Osborne says the aim is to reduce it to 25 per cent as quickly as possible.

To this end capital spending will drop to about $100m this year from $283m in 1991. The dividend payment will be halved, from $66m to $33m. Mr Osborne says: "In a cyclical business like ours, dividends have to bear some relationship to results."

Asarco hopes to sell its 31.2 per cent shareholding in Mexico Desarollo Industrial Minero (Medimsa) for about $900m cash.

Asarco's transformation to an integrated metals group has increased its exposure to the risks of the metals markets. Last year, poor prices for its copper, gold, lead, silver and zinc knocked $100m off the company's earnings of $46m, or $1.12 a share.

Continuing low metals prices have postponed the first fruits of the company's metamorphosis. It reported first-quarter net earnings of $6.9m, or 17 cents a share, down from $8m, or 20 cents, a year ago. Sales slipped to $458.4m, from $465.2m last year.

Asarco's new capacity in copper, with 1.5bn tonnes of reserves and 1992 mine production scheduled to be 333,000 tonnes, gives cause for optimism. Profit margins from an integrated mining business are significantly better than those for custom smelting. "The earnings capacity of Asarco today is much greater than it would have been without these mining assets," says Mr Osborne.

Japanese property companies suffer

By Robert Thomson in Tokyo

EARNINGS of Japanese property-related companies are under strain. Mitsubishi Estate, the realtor, yesterday reported a 0.3 per cent increase to Y90.2bn ($692m) in pre-tax profits for the year to end-March, and Daiwa House Industry, the home builder, a modest 1.3 per cent rise to Y90.6bn.

However, Mitsubishi Estate is forecasting a 20.2 per cent decrease in pre-tax profits for the current year, the first fall in 17 years, which it blamed on the slow recovery of the property market and a new method of assessing land tax.

Daiwa House is forecasting that pre-tax profits will expand by only 1.5 per cent on sales up from Y881.9bn to Y950bn. The more optimistic sales figure follows signs that the Tokyo housing market is gaining strength after two years of falling demand and prices.

Last year, Mitsubishi's sales rose by 2.1 per cent to Y345.5bn, while for the current period it is expecting sales of Y360bn. Daiwa's sales rose 9.9 per cent last year.

The impact of the collapse of the Tokyo stock market was reflected in the erosion of both companies' share assets, with the unrealised gains on Mitsubishi's holdings falling to Y293.8bn from Y436.6bn.

At Daiwa, the book value of short-term shareholdings fell to Y9bn from Y9.4bn but the market value fell to Y7bn from Y11bn and the book value of long-term holdings of stocks rose to Y85.2bn from Y80.3bn, while the market value fell to Y145.8bn from Y173.3bn.

Mitsubishi said that while the Japanese property industry generally faces a "difficult environment", its own situation will be made more difficult by additional land taxes of Y11.5bn for the current year. However, the company expects to spend Y344bn in construction and other investment, 14.5 per cent up on last year.

Daiwa House said recent reductions in official interest rates could restore some of the consumer and industry confidence lost after the collapse of the country's financial "bubble", and that house sales were likely to improve later in the year.

Foster's to look at structure of CUB

By Kevin Brown in Sydney

FOSTER'S Brewing Group, the Australian beer, agricultural and finance group, yesterday announced a review of the structure of its Carlton and United Breweries (CUB) subsidiary, Australia's biggest brewer.

The review was announced by Mr Ted Kunkel, chief executive, as part of a drive to recover market share lost to National Brewing, the former brewing arm of Bond Corporation Holdings, now owned by Lion Nathan of New Zealand.

The group, which owns Courage in the UK and half of Molson Breweries in Canada, has sought to focus exclusively on brewing, but has been unable to dispose of non-core assets worth about A$2.8bn (US$2.12bn).

Mr Kunkel said the review was "a normal part of a management's task in any efficient organisation, and will ensure that the company is properly focused to meet the opportunities of the 1990s".

However, the review is also in line with views expressed by Mr John Elliott, deputy chairman of Foster's. Mr Elliott believes the group has failed to extract full value from CUB's near-monopoly in Victoria, Australia's second most populated state.

International Brewing Holdings (IBH), a private company controlled by Mr Elliott, owns 38 per cent of Foster's, but will be in breach of loan covenants unless its bankers approve a financial restructuring plan due to be delivered today.

Analysts said the announcement was likely to help IBH persuade the banks to roll over its debts, especially if it helps convince them that restructuring the Australian brewing operations would lift Foster's earnings and dividend payments.

IBH depends on dividends from Foster's to pay interest on debts of about A$2.5bn. The company's only asset is its Foster's shareholding, which is worth about A$1.6bn at last night's closing price of A$1.86.

John Elliott: review in line with his views

The company's bank lenders include Hongkong Bank Australia and Citibank. BHP, Australia's biggest company, and National Mutual, the second largest financial institution, are also exposed to a varying degree.

Analysts say the banks are unlikely to try to wind up the company in the short term because of the destabilising effect such a move would have on Foster's, and the heavy losses which would fall on other creditors.

The most likely outcome is a deal which would remove some of IBH's debt and decrease the uncertainty surrounding the group. That would allow the share price to rise to a level at which most creditors could be repaid.

Foster's has been in turmoil since losing a record A$1.3bn in 1989-90, largely as a result of write-offs connected with non-brewing activities acquired during Mr Elliott's reign as chairman and chief executive.

Hasbro plans to buy Japanese toy company

By Stefan Wagstyl in Tokyo

HASBRO, the US toy maker, is planning to buy Nomura Toy, a privately-owned Japanese toy design and marketing company, in the latest in a string of Japanese acquisitions by foreign companies.

Spurred by the decline in land and stock prices, foreign companies have shown increasing interest in buying Japanese businesses, particularly distributors and other groups with access to markets and marketing skills.

For their part, the owners of many Japanese companies involved in wholesale and retail distribution are looking to sell their businesses in response to recent easing of regulations designed to protect small shopkeepers.

Hasbro's proposed push into the Japanese toy market follows the success of Toys 'R' Us, the US toy retailer singled out for praise for its efforts by Mr George Bush, the US president, during his visit to Japan early this year.

Hasbro plans to establish a Japanese subsidiary which will take over Nomura.

The Japanese company, no relation of Nomura Securities, was founded in 1923 and employs 40 staff in the design and marketing of toy cars, games, dolls and toy animals. The products are made by subcontractors. Sales are about Y3bn ($22.6m) a year. The purchase price was not disclosed.

Mr Koichi Nomura, the president, and his family are selling the company to Hasbro because of difficult conditions in the market, said Nomura.

Hasbro said it was buying Nomura as a way of entering the Japanese market. It would use Nomura to launch various toys on the market, including board games.

Export earnings help Amcoal advance 16.5%

By Philip Gawith in Cape Town

AMCOAL, the coal arm of Anglo American, the South African conglomerate, has recorded a 16.5 per cent rise in attributable profits to R321.1m ($112.66m) in the year to March, despite lower sales volume. Profits were lifted by higher earnings from exports and from sales to Escom, the national power utility.

Group turnover rose by 4.2 per cent to R1.89bn. However, volume sales of coal and coke fell to 42.4m tonnes, a decrease of 1.1m tonnes from 1991. Sales to Eskom by volume were down by 1.1m tonnes at 29.9m tonnes, while export tonnage increased by 3 per cent to 10.3m tonnes.

Earnings from collieries supplying Eskom rose due to increased investment. Higher tonnages helped raise export earnings, which were also assisted by slightly higher dollar prices and a marginally weaker exchange rate.

Colliery working costs rose by 6 per cent, well below the inflation rate of 15 per cent.

Mr David Rankin, chairman, said lower sales to Eskom and to the industrial and metallurgical sectors reflected the weak state of the economy.

Mr Rankin said that South African coal exporters, with Amcoal the largest, had sold a total of 48.5m tonnes in 1991, 1.1m tonnes less than in 1990. Coal exports remain South Africa's largest foreign exchange earner after gold.

He forecast lower earnings for the year because of soft domestic and international markets, lower interest earnings and a less favourable tax position.

Earnings per share were 16.3 per cent higher at 1,275 cents, and the dividend was lifted by 9.4 per cent to 465 cents.

Home video games lift Nintendo to record sales

By Emiko Terazono in Tokyo

NINTENDO, the Japanese video game maker led by Mr Hiroshi Yamauchi who is leading a consortium to buy the US baseball team Seattle Mariners, saw record sales for the fiscal year ended March, due to strong sales of its home video games in the US and Europe.

Non-consolidated sales at Nintendo rose 12.5 per cent to Y507.5bn ($3.89bn), thanks to firm domestic business. Operating profit rose 1.9 per cent to Y140.3bn due to the stronger yen. However, the pre-tax profit rose 11.3 per cent thanks to a 74 per cent rise in interest income.

After-tax profits grew 20.8 per cent to Y85.3bn. Exports were affected by the sluggish US economy and currency movements, and grew 1.1 per cent to Y316bn. Nintendo's annual dividend was raised to Y60 per share, from the previous year's Y50.

The company expects stronger sales in the US following price cuts for the Super NES, its game hardware which uses a 16-bit processor. The planned introduction of a new product which enables users to paint pictures and compose music, is also expected to contribute to an earnings increase. Nintendo also expects to introduce Super NES into the European market this year.

For the year to March 1993, Nintendo forecasts a 6.2 per cent rise in pre-tax profits to Y166bn on a 6.4 per cent rise in sales to Y540bn.

The company plans Y10bn in capital spending, including a construction of a distribution centre in Kyoto, Japan.

San Miguel 25% ahead

By Jose Galang in Manila

SAN MIGUEL Corporation, the Philippines' largest industrial enterprise, yesterday reported a 25 per cent increase in net income, excluding non-recurring items, in the first quarter of the year. Turnover was up 15 per cent in the period.

Net profit in the period was 589m pesos ($22.87m) on net sales of 13.4bn pesos.

The beer and food conglomerate said the improvement reflected improved margins and "better efficiencies and streamlining measures".

Interest expense, which comprised a large portion of its costs in the past two years, declined by 17 per cent in the 1992 period because of lower interest rates.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Options exchanges worried by over-the-counter trading

The IAOECH annual meeting in Chicago believes they are losing business to customised deals, writes Barbara Durr

RISING competition from over-the-counter (OTC) derivatives markets topped the concerns this week at the annual meeting of the International Association of Options Exchanges and Clearing Houses (IAOECH).

Options exchanges believe that a vast amount of money is slipping away from their trading floors into unregulated, customised derivative deals. The 43 exchanges from around the globe that gathered in Chicago wrestled with the question of whether this competition was a threat or an opportunity, and decided at the end that it was both.

While they would prefer that the OTC markets be regulated in the same way that they are, the risk of such customised deals is frequently laid off in exchange-traded products, which provides a certain amount of business for the exchanges.

Association officials said it is impossible to quantify precisely the dimensions of the OTC derivatives markets. Some indication could come from a plan for regulating the OTC market in the Netherlands, which goes into action next month.

Despite the lack of figures, association officials remain convinced that OTC markets are mushrooming. The same cannot be said of their own trading volumes, at least in the more mature markets in industrial countries. Newer markets tend to experience several years of extraordinary growth and then see a significant slackening of pace.

US markets in particular are affected by a general decline in trading volume. The most dramatic decline has been in traditional equity options. According to the US Options Clearing Corporation, which handles all US clearing, the average daily trading volume of equity options has dropped from its peak of 650,000 in 1987 to 414,000 last year, though it has risen to 449,000 so far in 1992.

According to a recent study by the Philadelphia Stock Exchange, the decline in equity options activity derives in large part from a widespread lack of knowledge about options.

The five American options markets and the US Options Clearing Corporation Such plan to wage a joint advertising campaign to bring back the retail customer.

Mr Alger "Duke" Chapman, chairman of the Chicago Board Options Exchange and president-elect of the IAOECH, said: "There's a whole new generation of customers to be educated and a whole new generation of brokers to be educated."

Education for regulators is also badly needed, the IAOECH officials said. While regulators have increasingly consulted each other across borders in recent years, the association officials complained that they frequently do not consult with the markets themselves.

Tjerk Westerterp, president of the Amsterdam-based European Options Exchange (EOE), said: "We have been astonished in Europe at the kind of regulation they [the EC] had in mind for derivative markets." The association is pressing for greater international co-operation by regulators, in part to stem regulatory arbitrage and to speed the approval of trading products across borders. It took, for example, two years to get the EOE's Eurotop options registered with the US Securities and Exchange Commission.

The IAOECH would also like to see unified clearing, though a single European clearing house was deemed at least the first stop on that journey. Evidence of that need came just last week when four European exchanges, the EOE, Soffex, OM London and OM Stockholm, agreed on co-operation in the form of a strategic alliance. Called First European Exchanges (FEX), it will provide cross-market access, but with the goal of enhancing home markets.

Turkey acts to attract funds into equities

By John Murray Brown in Istanbul

TURKEY has introduced amendments to its capital market law in the hope of encouraging local institutional investors and boosting liquidity on the Istanbul stock exchange.

The amendments form the spearhead of a large reform package and, with tax changes reducing incentives for holders of government paper, are aimed at attracting funds into Turkish equities.

At present some 70 per cent of activity on the Istanbul stock market is concentrated in government debt.

The legislation provides for greater investor protection, diluting the powers of the Capital Markets Board (CMB) in Ankara, hitherto the government's watchdog body, while tightening the rules on financial disclosure, audit requirements and insider trading.

Moreover, for the first time the Turkish law provides specific penalties for insider trading, with, for example, a minimum fine of TL1bn ($150,000) for creating false markets in shares.

The new law also enlarges the range of financial instruments available, to include futures, options and non-voting shares. Companies or banks wishing to issue financial instruments will now only have to register with the CMB.

Banks have also lost their exclusive right to run open-ended funds, which can now be offered by brokerage houses, insurance companies and other specialised financial institutions.

The difference between dividends on old and new shares has also been eliminated. Hitherto this discouraged companies from making rights issues.

Taxes affecting the status of government debt are expected to be become effective in 1993.

Minebea profits plunge 45%

By Emiko Terazono in Tokyo

MINEBEA, Japan's leading miniature bearing maker, yesterday announced a sharp fall in non-consolidated earnings for the six months to March.

Pre-tax profits fell 45 per cent from the previous year to Y4bn ($30m) on a 3.3 per cent decline in overall sales to Y98.2bn. After-tax profits fell 51 per cent to Y2.1bn.

Sales of bearings, the company's main profit earner, fell 6.5 per cent to Y27.1bn, because of slumping overseas demand. Sales of electronic equipment and components, manufactured mainly in Thailand, rose 7.4 per cent to Y48.1bn.

Minebea's financial balance declined 65 per cent to Y688m because of a 53 per cent fall in interest income.

The company said orders for electronic equipment and parts such as precision motors, keyboards and floppy disk drives, have been rising. However, profitability for such products remains poor.

Minebea expects an improvement in the current six months. It is forecasting a 38.9 per cent fall in pre-tax profits to Y9.5bn for 1991-92 as a whole, on sales little changed at Y207bn.

Norinchukin Bank rating under review

By Emiko Terazono in Tokyo

MOODY'S Investors Service, the US credit rating agency, yesterday placed the Aa1 long-term ratings of Norinchukin Bank, the financial arm of Japan's agricultural co-operative, under review.

The move follows a downgrading of Norinchukin's debts from Aaa last August. Credit ratings at Japanese banks have been downgraded during the past year, because of bad loans stemming from the sharp falls in stock and real estate prices.

The rise in funding costs, because of the declines in ratings, is expected to squeeze profit margins at the banks, which are already under pressure from the increasing number of corporate bail outs.

Moody's said that though Norinchukin has negligible direct exposure to domestic real estate-related business, the bank has big exposure through loans made to non-bank financial institutions.

Norinchukin also faces deteriorating asset quality and profitability at its local agricultural organisations.

MAN boosts truck output

By John Griffiths in Hanover

MAN Nutzfahrzeuge, the commercial vehicle subsidiary of Germany's MAN engineering group, expects to produce a record number of trucks for the second year running.

The rise in output, from 36,000 in 1990 to an expected 43,000 this year, will help the truck maker increase turnover by DM800m to DM8bn ($4.8bn) for its fiscal year ending June 1992, according to executive board chairman, Mr Wilfried Lochte.

The turnover increase for the trucks subsidiary – still benefiting from the surging demand for trucks following German unification – underpins earlier group forecasts that turnover and profits for the group will be maintained this year.

This is despite lower orders in other group operating sectors such as printing and industrial equipment. The truck subsidiary itself earned DM159m net of tax last year, up from DM147m.

The company's sharpest growth in percentage terms is coming from buses rather than trucks. Bus output has more than doubled over the past two fiscal years, to 1,325 units, and demand from the east German states – where MAN already claims 40 per cent of the bus market – is expected to help sustain the momentum.

Mr Lochte said he expected bus turnover to increase by a further 35 per cent in the current fiscal year.

MAN has recently completed the £20m ($35.4m) purchase of MAN Truck & Bus UK – the UK importer and distributor of MAN trucks – from the Lonrho group.

The group plans to invest "some tens of millions of Deutschemarks" in its own dealerships in the UK in the hope of doubling UK market share, to between 8 and 9 per cent, within the next five years.

Prague plods on towards a regulated stock market

Ariane Genillard on Czech privatisation plans

Czechoslovakia's progress towards an efficient and regulated stock market system remains painfully slow, in spite of the urgent pressures arising from the government's privatisation plans.

Under the privatisation programme, an estimated $8.6bn of equity from some 2,000 enterprises will be distributed to the 8.6m Czechs and Slovaks who bought a voucher book for a small fee earlier this year.

Voucher holders will start bidding for enterprises from Monday, and vouchers are expected to become tradeable shares in newly privatised enterprises by the end of this year.

Much will depend on the speed of the complex bidding process, which includes five rounds during which over-subscribed enterprises will be re-offered to bidders for more investment points.

Without the development of an efficient stock market trading system the privatisation programme could become paralysed. Two private stock exchange companies are to be set up, in Prague and Bratislava. These will be independent market institutions, interlinked by computers and supervised by the finance ministries in the Czech and Slovak republics.

Shareholders for the Prague Stock Exchange will include Czech financial institutions. The law allows foreign banks to become shareholders but foreign participation is limited at 30 per cent of the stock exchange's capital.

So far, the only foreign banks holding a stake in the future stock exchange company are Credit Suisse First Boston and Creditanstalt.

However, five or six applications from other foreign banks are being processed, according to officials from the Prague Stock Exchange Association.

According to Mr Petr Vyroubal, legal specialist at the association, 50 listed companies will first be traded on the exchange's first section, with 300 to 400 unlisted ones traded on a second section.

The remaining newly privatised companies are likely to be traded on an OTC basis among banks.

However, the federal ministry of finance has proposed that these shares be traded through the local computer offices which have monitored the registration of citizens' vouchers.

The stock exchange will be equipped with the CAC trading system, received under French government aid.

This has prompted some bankers to say that such state of the art technology could justify trading through the computer network directly and not on the physical exchange.

Bankers have also expressed fears about the legal basis of Czech trading operations.

A draft of a securities act has been awaiting parliamentary review for months. And also the relevant authorities have also not defined listing procedures.

INTERNATIONAL CAPITAL MARKETS

Gilts slip on unease over retail price index data

By Richard Waters in London and Patrick Harverson in New York

LONGER-dated gilts eased yesterday as the market absorbed worse-than-expected average UK earnings figures for March and prepared for today's inflation figures for April.

GOVERNMENT BONDS

Earnings rose at a year-on-year rate of 7.5 per cent, up from 7 per cent the previous month and ahead of expectations (although the figures for the previous month were restated to 7.5 per cent on a new calculation basis).

The news was not devastating, but combined with unease about the retail price index figure and some reported profit taking, helped to take the shine off the gilt market.

The RPI is widely expected to show a year-on-year rise of around 4.4 per cent, compared with 4 per cent the previous month – though some estimates predict a rise as high as 5 per cent. Should the figure come close to the lower expectations, the Bank of England is expected to sell more gilts, another factor which helped to hold back gilt prices.

Shorter-dated gilts remained steady as sterling remained firm and the three-month interbank rate remained at 10⅛ per cent. The benchmark 9 per cent bonds maturing in 2011, however, lost around ¼ of a point on the day to close at a yield of 9 per cent.

On Liffe, in moderate trading, the long gilt future – having broken above 99 at the start of the day – closed at 98¾.

■ GERMAN government bonds lost ground in late trading as the market continued to absorb bad news on the wage front and further warnings that interest rates are likely to remain high for some time.

News that the largest of the four public sector unions, OeTV, had rejected the pay offer negotiated by their leaders (only 44.1 per cent voted in favour of acceptance, well short of the 50 per cent needed), did little to dent the bund market immediately.

The news had been widely expected. But by late in the day, sentiment turned for the worse.

The bund futures contract on Liffe, having opened at 87.26 and hit a high of 87.44, retreated to 87.15 in late trading. In the cash market, yields on 10-year bunds rose slightly, hovering just below 8 per cent.

Warnings that real interest rates were likely to remain high for some time came from Mr Hans Tietmeyer, deputy president of the Bundesbank. He warned against the "quick fix" of lowering rates and added demand for capital around the world would keep real interest rates high for some years.

● PROFIT-taking by investors in French government bonds caused 10-year OATs to lose some ground yesterday – though with bund prices also easing, the yield spread between the two markets remained at just over 60 basis points.

The French franc fell from its recent high point, touched on Wednesday, but continued to hover around its central rate against the D-Mark of 3.3539. The yield on the benchmark 8.5 per cent OAT due 2002 slipped slightly to around 8.58 per cent in late trade.

■ PREDICTIONS from the Federal Reserve that money supply growth was exhibiting a recovery took the edge off US Treasury prices yesterday morning.

By midday the benchmark 30-year government bond was down ⅛ at 102¾, yielding 7.865 per cent, while at the short end of the market the two-year note was up ⅛ at 100$\frac{11}{32}$, to carry a yield of 5.102 per cent.

The comments on money growth came from Fed governor Mr Lawrence Lindsey, who said he expected the latest money supply data, due yesterday afternoon, to show the beginning of a bounce back. This disappointed those sections of the market which had pinned its hopes on further weakness in money figures spurring the Fed into another easing of monetary policy.

Mr Lindsey's comments overshadowed the weekly jobless claims data, which showed a rise of 10,000 in the number of people claiming state unemployment insurance. The rise was bigger than expected, but the news failed to stimulate any buying interest.

■ AFTER their strong rise in the middle of the week, Japanese government bonds continued to move ahead yesterday, further buoyed by the strength of the yen. The yield on the benchmark bond No 129 eased further, from 5.5 per cent to 5.487 per cent on the day. The yield was last below 5.5 per cent in mid-April.

However, concerns about the amount of new bond issuance due from Japanese corporate borrowers continue to overhang the market, and could restrict further gains.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	105.4134	+0.341	9.16	9.26	9.83
BELGIUM		9.000	08/01	101.1000	-0.100	8.60	8.59	8.56
CANADA *		8.500	04/02	99.8500	-0.050	8.62	8.69	[illegible]
DENMARK		9.000	11/00	101.2200	-0.200	8.59	8.58	8.64
FRANCE	BTAN	8.500	05/97	98.8881	-0.152	8.77	8.68	8.82
	OAT	8.500	11/02	99.2700	-0.210	8.59	8.60	8.84
GERMANY		8.000	01/02	100.0300	-0.150	7.98	7.96	[illegible]
ITALY		12.000	02/02	98.8200	-0.020	12.20†	12.22	12.28
JAPAN	No 119	4.800	06/99	96.2311	–	5.75	5.88	5.81
	No 129	6.400	03/00	104.9364	-0.088	5.50	5.61	5.47
NETHERLANDS		8.250	02/02	99.4500	-0.140	8.32	8.30	8.25
SPAIN		11.300	01/02	102.8300	0.230	10.54	10.58	10.53
UK GILTS		10.000	11/96	102-23	-3/32	[illegible]	9.27	9.37
		9.750	08/02	104-07	-2/32	9.11	[illegible]	9.13
		9.000	10/08	100-03	-5/32	8.98	8.93	9.01
US TREASURY *		7.500	11/01	101-06	[illegible]	[illegible]	7.46	7.33
		8.000	11/21	101-23	[illegible]	[illegible]	7.97	7.87
ECU (French Govt)		8.500	03/02	99.3700	-0.110	8.59	8.64	8.60

London closing, *denotes New York morning session. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

New equity product for US retail investors

By Tracy Corrigan in New York

A NEW type of equity product could soon provide US retail investors with access to an investment strategy commonly used by institutional investors.

The first such product is expected to be listed on the American Stock Exchange (Amex) next month, and further offerings, totalling close to $1bn, are already in the pipeline, as banks rush to gain a foothold in a potentially lucrative new market.

Known as equity participation trusts, these products will recreate for individuals the practice of "covered-call writing" – the common technique among institutional investors of writing call options against a portfolio of shares.

More particularly, they will allow retail investors to mimic a "buy-write" strategy, which involves simultaneously buying shares and selling call options on the shares as a means of enhancing returns.

Short-Term Equity Participation Units (Steps), jointly developed by Morgan Stanley, will be the first off the block. The Amex will list 2m units in a three-year trust, called Technology Equity and Income Trust, which will hold a basket of 12 technology stocks, sell call options against them, and invest the proceeds from the call options in US Treasury strips (bonds which have been stripped of their coupons).

Similar products, based on other market sectors, include PaineWebber's Trust from Income Participation from Stocks (Tips); and Goldman Sachs is planning a product called Stairs (Short Term Appreciation and Income Return Shares).

Morgan Stanley and Dean Witter developed their product in response to growing retail demand for Preference Equity Redemption Cumulative Stock (Percs) – essentially a buy-write strategy sold by a company on its own stocks.

"The first Percs were sold mainly to institutions, but a high percentage of the follow-on demand has been at retail level," said Mr Richard Sandulli, vice-president, corporate finance at Dean Witter.

While Percs allow investors to pursue a buy-write strategy on a single stock, Steps apply the technique to a whole market sector. The technology sector was chosen because technology stocks typically offer little or no yield, but are highly volatile.

The product allows investors to earn more yield, though a portion of the upside potential of the stocks is given up.

Steps were due to be listed on the Amex at the beginning of the month, but the listing has been delayed by a regulatory problem with the Securities and Exchange Commission.

The structure "will provide retail investors with a relatively inexpensive means of adopting a sophisticated investment strategy," said Mr John Braddock, a director of the capital markets group at Amex.

OKB extends offering to Ecu300m

By Sara Webb

BORROWERS in the international bond markets are continuing to issue in the Ecu sector, encouraged by attractive swap opportunities and hopes that investors are feeling more confident about buying Ecu paper.

INTERNATIONAL BONDS

Oesterreichische Kontrollbank (OKB), the Austrian state-backed financial institution, reopened its existing Ecu bond with a further Ecu100m tranche, bringing the total size of the issue to Ecu300m.

The bond, which is due February 1994 and carries a coupon of 9 per cent, is being reoffered at 99.84 to yield 9.05 per cent. Lehman Brothers, the lead managers, said the existing paper was trading at 100.00-100.20, yielding 8.97 per cent. Other market participants commented that the pricing seemed fair. The deal is targeted at retail and small institutional investors.

However, despite claims that investors are willing to buy Ecu-denominated notes as confidence increases in the ratification of the Maastricht treaty on European union, the lead manager admitted none of the short-dated Ecu deals launched this week have "been a blow-out", but will take some time to sell.

Kommuninvest, guaranteed by the County Council of Orebro, also announced an Ecu100m deal, with an initial tranche of Ecu50m priced at par and yielding 9 per cent. Daiwa Europe, the lead manager, said the deal was aimed at Japanese and European institutional investors.

In the US dollar sector of the market, Eagle 1 Ltd, a special purpose vehicle, launched a $120m floating-rate note bond with a coupon of 110 basis points above six-month London inter-bank offered rate, and priced at par.

Isetan, the Japanese department store group, launched a seven-year Y10bn issue with a coupon of 6.2 per cent and a reoffer price of 99.975.

Nikko Europe, the lead managers, said the deal has already been placed with Japanese investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Eagle 1 Ltd(b)‡	120	(b)	100	1995	1/7⁄8	Daiwa Europe
Kubota Fin.(Neth.)(a)†	70	zero	72⅞	1997	1⅞/1¼	Fuji Intl.
Credit Lyonnais(e)‡†	50	(e)	100	-	-	Merrill Lynch Intl.
ECU's						
OKB(c)†	100	9	100.215	1994	1.125/1.025	Lehman Brothers
Kommuninvest(a)†	50	9	100	1999	-	Daiwa Europe
YEN						
Isetan Co(a)†	10bn	6.2	101.5	1995	1⅞/1½	Nikko Europe
LIRE						
KFW Intl.(d)†	100bn	11⅞	102.[illegible]	1998	1⅞/1¼	Banca Commerciale

*Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 110bp above 6 month Libor. Coupon payable semi-annually. Non-callable. c) Fungible with existing Ecu 200m issue. d) Fungible with existing 200bn Lire issue. e) Coupon Pays 3 Month Libor plus 85bp from 19/5/1992 to 19/8/1992, then pays 3 Month Liborplus 100bp for 7 years, then 3 month Libor + 125bp until 9/2003, then 3 month Libor plus 200bp therafter. Fully fungible with existing $450m issue.

China Investment Company set to raise over $15m

CHINA Investment Company, a closed-end fund which plans to invest in joint ventures in China, looks set to raise over $15m from investors in the US, Europe and the Far East, according to Crosby Securities, the Hong Kong-based securities firm which is sponsoring the new investment company, writes Sara Webb.

The fund is due to be listed on the London Stock Exchange this month and will be managed by Crosby Asset Management (CAM).

CAM plans to invest most of the money raised in stocks listed on the Shanghai and Shenzhen stock markets in China, buying "B" category shares which are the type available to foreign investors. Longer-term, the fund manager hopes to invest in equity joint ventures, mainly in the coastal provinces of Zheijiang and Jiangsu. CAM said it would not invest more than 25 per cent of its assets in a single sector. A maximum of 4m ordinary shares in the China Investment Company, with 800,000 warrants attached at $10.60 per share, have been offered to institutional investors.

GPA in $500m security programme

GPA, the Irish aircraft leasing firm which is heading for its world stock market launch next month, plans to launch a $500m aircraft and lease-backed security programme before the end of this month, Reuters reports.

GPA is effectively selling 14 aircraft and the lease income from the airlines is the first programme of its kind.

Most of the issue – some $375m – will be in Eurobonds. GPA has also arranged $125m of equity and mezzanine financing.

See Lex

Greece offers Ecu-linked bonds

GREECE is offering a new series of one-year, two-year and three-year bonds index linked to the Ecu, Reuter reports. The one-year bond carries a 10.25 per cent coupon, the two-year a 10.575 per cent coupon and the three-year a 10.775 per cent coupon.

Subscriptions open today. The tax-free bonds, traded on the Athens Stock Exchange, will be issued at par with a face value in Ecus. Foreign money used to buy the bonds may be freely converted and can be repatriated when the buyer sells or the issue expires.

Interest and the final payment are based on the Ecu value but made in drachmas at the prevailing exchange rate. The subscription rate was set at Ecu1,000 per Dr243,000.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 14

U.S. DOLLAR STRAIGHTS · OTHER STRAIGHTS · DEUTSCHE MARK STRAIGHTS · FLOATING RATE NOTES · SWISS FRANC STRAIGHTS · YEN STRAIGHTS · CONVERTIBLE BONDS

[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	27	20	32
Other Fixed Interest	0	4	13
Commercial, Industrial	338	283	830
Financial & Property	162	123	507
Oil & Gas	12	23	52
Plantations	0	0	9
Mines	32	23	90
Others	23	55	53
Totals	594	531	1,586

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LIFFE EQUITY OPTIONS

[illegible]

TRADITIONAL OPTIONS

● First Dealings May 1
● Last Dealings May 15
● Last Declarations August 6
● For settlement August 17

3-month call rate indications are also shown on this page.

Calls in Astec (BSR), Acorn Computer, Berisford Intl., Cabra Ests., Ferranti, GRE, Grand Met., Hanson warrants, ML Labs., Polos, Ratners, Saatchi & Saatchi, Tesco and Trimoco. Puts in ADT and Speyhawk. Puts and calls in ADT, ASDA and Premier Cons.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	14	Sears	9	■ OILS	
Allied-Lyons	48	Comm Union	34	Legal & Gen	[illegible]	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6½	Courtaulds	39	Lex Service	18	TI	48	BP	20
Astec (BSR)	3	Eurotunnel	29	Lloyds Bank	32	TSB	11½	Burmah Castrol	44
BAT Inds	10	FKI	6	Lonhro	[illegible]	Tesco	22	Conroy Pet	7
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	32	Forte	21	Marks Spencer	27	T & N	11½	Premier Cons	2½
Barclays	28	GKN	30	Midland Bank	30	Unilever	70	Shell	33
Blue Circle	25	Gen Accident	38	NatWest Bank	28	Vickers	13	Tuskar Res	½
Boots	39	GEC	15	P & O Dfd	37	Wellcome	80	■ MINES	
[illegible]	60	Glaxo	59	Racal Elect	5	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	35	RHM	18	Brit Land	19		
British Steel	6½	GRE	12	Rank Org	35	Land Sec.	34		
Brit Telecom	24	Hanson	18	Ratners	2½	MEPC	26		
Cadburys	33	ICI	95	Reed Intl	44	Mountleigh	1½		

Burton halved as multiples suffer

By John Thornhill

BURTON GROUP, which owns Debenhams and a string of fashion chains, saw interim pre-tax profits halved as it sought to defend market share by sacrificing margin and cutting prices.

In the 26 weeks to February 29, pre-tax profits fell from £44.1m to £21.8m on sales 2 per cent higher at £934.6m.

But although gross margins slipped by 0.8 per cent, Mr John Hoerner, chief executive of three months' standing, said the group had succeeded in restoring its market share to 12 per cent after shedding 1 percentage point in the previous half.

He added that sales from continuing businesses in the first 10 weeks of the second half were ahead 7 per cent but attributed the increase to restocking and operational improvements rather than a general recovery in the clothing sector.

"I think there has been a pick-up in conversation about consumer demand and a definite improvement in mood but it would be seriously misleading if I said I had any indication that it had yet happened," he said.

There was a marked difference in trading fortunes between the two arms of the group.

John Hoerner: 'seriously misleading' to talk of recovery

Debenhams, where Mr Hoerner was previously chief executive, lifted trading profits by 4 per cent to £29.5m on sales 11 per cent higher at £426.8m.

But the fashion multiples saw a drastic fall in profits from £32.2m to £3.1m on sales just 1 per cent lower at £507.8m.

Top Shop, Dorothy Perkins, and Evans were said to have recorded "better performances" while Top Man and Principles for Men were disappointing.

The group received £124m from asset sales, including Harvey Nichols and the Dartford shopping centre. Net debt stood at £237m compared with £476m a year ago, representing a fall in gearing from 63 per cent to 33 per cent.

Earnings per share slid from 4.8p to 2p. An interim dividend of 1p (1.7p) is declared.

The group announced a streamlining of management functions which will result in the departures of Mr Richard Pym as chief executive of the services division and Mr Brian Moody as managing director of Burton menswear.

Mr Pym's pay-off was not disclosed but was described as "less than extraordinary", unlike those given to other departing board directors in recent months.

● COMMENT

Burton should represent an object lesson in the perils of investing in personalities. Ironically, however, that may now represent just about the best reason for returning to the UK's second biggest clothing retailer. In the short term he has been in charge, Mr Hoerner has impressed the City with his candour and commonsense and although there are as yet few substantial signs of trading improvement there is a tangible swing in sentiment as evidenced by the 7½p rise in the share price to 49½p yesterday. Burton is now a finely-balanced risk-reward scenario but the market may be over-eager about the pace and strength of recovery. Although the group is at last moving in the right direction, it would be unwise to presume that it will easily be able to rebuild margins given the restocking and restaffing that is still needed and the escalation of pressure that the likes of Marks and Spencer can still bring to bear. And although the group may just be in the black at the year end the dividend is still likely to be cut.

King & Shaxson dividend cut hit shares

KING & Shaxson Holdings, the discount house, has proposed cutting its dividend for the first time in its history following a halving in profit from £1.8m to £920,000 after providing for rebate, tax and transfer from contingencies in the year to April 30.

The final would be 2.5p for a total of 5p, against 10.25p. The shares lost 17p to close at 91p.

Mr David Pearce, who became chairman following the death of Mr Billy D'Abbans in February, said it had been a troublesome period for the core discount house business. He added that during the year the pivotal role of the discount market as a provider of liquidity to the banking system had been eroded.

"We are normally in an uncomfortable vice between eligible bill yields that are forced too low and money costs that are pushed too high. It is for this reason that our holdings of money market instruments are approximately half that of a year ago."

The situation was unsatisfactory, he said, and the company was looking at further ways of reducing its dependence on the discount house.

The results include those of Smith St Aubyn (Holdings), the discount house.

Tight cost controls and greater efficiency behind Fine Art rise

By Peter Pearse

SHARES IN Fine Art Developments rose 15p to 440p on news that the mail order and greetings card company had achieved a 12 per cent rise, to £29.7m, in pre-tax profits over the year to March 31.

The rise from £26.6m was struck on turnover ahead a more modest 3 per cent to £287.3m.

Mr Keith Chapman, chairman, said there were no indications of recovery in the retail sector – Fine Art's progress was gained through "tight cost controls and increased efficiency". The company had to "really fight for its sales".

However, he acknowledged that, although manufacturers of white goods, for example, might suffer in a recession, the public tended to continue buying greetings cards, even if they traded down.

In the same vein, Mr Chapman said Home Farm Hampers – the business where people pay throughout the year for food for a "decent Christmas" – traditionally did well in hard times. Sales rose 65 per cent with a substantial increase in profits.

Overall, the mail order side made operating profits of £20.7m (£18.7m) on turnover of £150m (£146m), helped by the £31m capital investment in an automated order fulfilment system at the warehouse at Accrington, Lancashire.

However, both Express Gifts and the charities business suffered downturns in the value of average orders, though the overseas side – which serves markets in France, South Africa and Germany – made gains, especially in France.

Since the year-end, Fine Art has expanded across the Atlantic with the acquisition of Tom-Wat of Connecticut for $1m (£550,000) cash. A provider of charity mail order services, it has annual turnover of $18m.

The educational mail order business lifted profits and market share.

Operating profits and turnover in the card and paper products division both rose 3 per cent to £19.3m and £137.4m respectively. The success of Hambledon Studios and Gallery Studios was offset by the small loss at Papertree, the retail chain. Mr Chapman said he wanted to cut the number of outlets, from the current 80 and the 115 of 18 months ago, to less than 70.

Earnings rose 10 per cent to 25.36p (22.96p) per share and the proposed final dividend is lifted by 1p to 8.3p for a total of 11p (9.8p).

N America boosts Hartstone

By Peggy Hollinger

EXPANSION into the fragmented North American leather market helped Hartstone, the hosiery and leathergoods supplier, reveal profits almost trebled at £22.1m last year on sales which increased more than three times to £237.8m.

Mr Stephen Barker, chairman, said the company had increased market share in both divisions during the 12 months to March 31. Hartstone claims the world's number one position for leathergoods distribution and is Europe's second largest hosiery manufacturing and distribution group.

The acquisition of Michael Stevens and Etienne Aigner last year contributed most of the rise in the leathergoods division, which increased from £4.2m to £19.8m at the operating level.

Mr Trevor Brentnall, head of the North American leathergoods operation, said the two US businesses had shown significant like-for-like growth. Sales at Michael Stevens were ahead 84 per cent, while Etienne Aigner improved turnover by 14 per cent. Both businesses had increased margins by improving sourcing and were also benefiting from a strengthened management team.

Hosiery rose on the inclusion for three months of the Spanish and French companies, Aznar and Cogetex, which contributed £1.5m. Operating profits for the whole division advanced by £1.9m to £5.8m.

Mr Barker said margins in the UK hosiery business had suffered from overstocking by retailers. However, the relaunch of Bear Brand in the autumn had resulted in significant increases in volume.

Hartstone was also making good progress on tapping the growing European hypermarket sector. The French Well brand of tights had already been introduced into Spanish, Dutch and Belgian supermarkets.

Capital expenditure came to £6.5m, compared with a depreciation charge of £3.8m. Most of the spending had been devoted to increasing warehousing space at Michael Stevens and opening 18 Etienne Aigner stores in the US for a total of 30.

Depreciation would rise sharply to £7.6m next year, compared with capital spending of £6.5m, due to Aznar and Cogetex. Mr Barker said it was likely that the group would exercise its option to buy Aznar Industrial, the lingerie arm of Aznar, in January.

Hartstone ended the year with gearing of about 50 per cent and interest cover of 7.4 times. Interest charges rose sharply from £648,000 to £3.4m.

Earnings per share advanced from 15.1p to 21.1p. The proposed final dividend is raised from 2p to 3p, for a total of 4.875p (3.25p).

22% downturn at Tomkinsons

In another difficult interim period, Tomkinsons, the floor coverings group, limited its drop in sales to just over 4 per cent, but saw pre-tax profit fall by 22 per cent.

For the six months to March 21, sales came to £9.9m (£10.4m) and profit to £384,000 (£491,000) after interest charges were cut to £14,000 (£55,000).

Mr Lowry Maclean, chairman, was confident that the performance would prove to be better than many competitors. He said an operating margin of 3.9 per cent, coupled with low gearing of 1.5 per cent, continued to demonstrate underlying strength.

The interim dividend is maintained at 3.5p. Earnings per share dropped 1p to 4.2p.

Young Gp sells option on mine stake to Peabody for $6.6m

By Juliet Sychrava

YOUNG GROUP, the coal mining company, has sold an option to buy its stake in Carbonar, the Venezuelan coal company, to Peabody, the US coal company owned by Hanson, for $6.6m (£3.72m).

The option is exercisable any time during the next year, giving Peabody time to investigate Carbonar's operations. During that time, Peabody will lease mining equipment to Young allowing the company to accelerate its coal production.

Peabody, one of the largest US coal companies, producing about 90m tonnes of coal a year, will also advance Young $500,000, which will be used to buy out minority shareholders in Carbonar, lifting its 51 per cent stake to 100 per cent, and settle liabilities relating to the company.

Mr Brian Calver, Young's chief operating officer, said he expected Peabody would exercise the option.

The deal will help Young to increase production and profit from the company, which will mine at least 200,000 tonnes of coal in 1992. Last year, the company had unexpectedly low output from Venezuela after equipment failed.

Mr Calver denied that the deal was a preliminary to making a bid for part of British Coal, which is due to be privatised shortly. It was simply "cleaning up". He pointed out that any packages of British Coal for sale would be more likely to cost tens of millions of pounds.

Young Group underwent a financial restructuring earlier this year after an unexpected fall in profits and cash flow problems led to its shares, quoted on the USM, being suspended.

Mr Calver said he was still planning to sell one or two small opencast mining sites in the UK, but otherwise had no further important plans for restructuring.

Moorfield agrees £700,000 bid

Moorfield Estates yesterday announced a recommended all share offer for Grosvenor Terrace Developments valuing the property company at £700,000, writes Richard Gourlay.

Moorfield is offering 19 new shares for every 8 Grosvenor shares, valuing each share at about 74p.

As part of the deal Granville, the investment house, will place 63 per cent of Moorfield's existing share capital belonging to some of its directors with institutional investors and the British Land Company. The placing price of 42p represented a 35 per cent premium to Moorfield's current share price.

Lombard North Central bounces to £44.6m

The selection of better business enabled Lombard North Central, National Westminster Bank's credit finance and leasing offshoot, to record pre-tax profits of £44.6m in the six months to March 31, against losses last time of £1.4m.

The charge for bad and doubtful debts was slightly lower at £79.3m (£81.6m).

Earnings per share were 16.9p, against 6p.

GPA to enlarge UK and Irish float

By Roland Rudd

GPA is planning to sell more shares in the UK and Ireland in next month's flotation, according to indicative figures published in the preliminary registration in the US.

The filing came as Mr Tony Ryan, chairman of the aircraft leasing group, yesterday launched the pathfinder UK and Ireland prospectus which values the shares on offer at about $800m (£452m) and the group as a whole at $2.4bn.

As reported, the company is issuing 28m new shares and 12m of the 95m existing shares, excluding convertibles, are to be sold by existing shareholders.

The 40m new shares (which are doubled following a 1-for-1 scrip issue) are to be priced between $10 and $12.50. American depository receipts, comprising of two shares, will be priced between $20 and $25.

Advisers to the sale said the allocation between UK and Ireland, New York, Japan and the rest of the world would depend on demand. However, the US preliminary registration document, which gives indicative figures, shows that the group expects to sell slightly more shares in the UK with the rest evenly split although amounts may change by the time of the sale.

A UK prospectus offer for sale will be published on Monday June 8 with pricing, allocation and commencement of the sale on June 17.

GPA also confirmed that 75 per cent of its shareholders had agreed to a binding lock-up agreement not to sell their shares for a year after the float, with a further 11 per cent giving morally binding commitments.

Nomura, the Japanese global co-ordinator, is confident of persuading a few of the 14 per cent of shareholders which have not signed a binding lock-up agreement to do so within the month.

The group also announced its year end results which showed a 2 per cent increase in after-tax profits to $268m ($262m) for the year ended March 31 1992. Fully diluted earnings per share were up 4 per cent to $2.30 ($2.21).

Mr Maurice Foley, chief executive, said the results showed the resilience of the group during the "most severe recession since the beginning of the jet era".

The extent to which the company evolved over the past few years was illustrated by the lastest breakdown of revenues.

Over the past year aircraft leasing increased to 42 per cent or $887m while sales of aircraft fell back to 56 per cent or $1.1bn. Fees, commission and other income accounted for just 2 per cent or $46m.

See Lex

On the runway to wider horizons

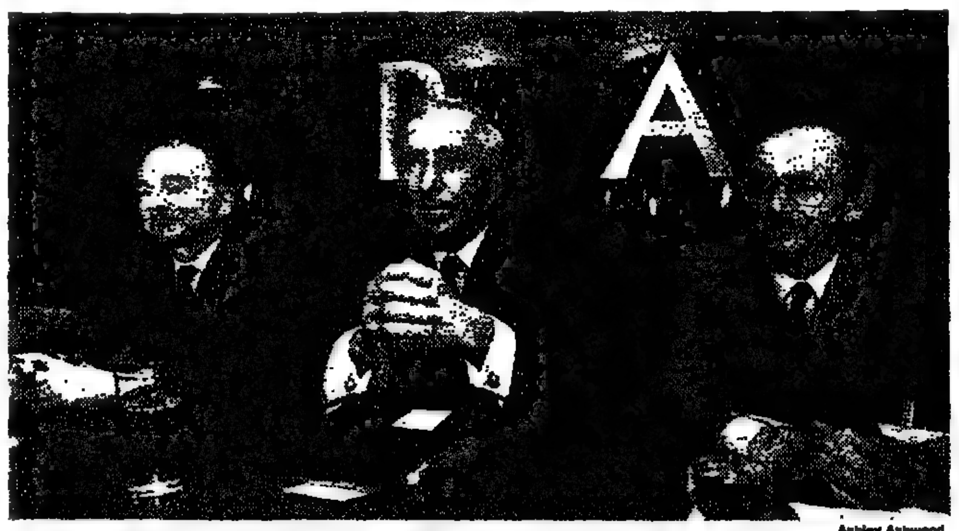
Roland Rudd meets the chief of the Irish aircraft leasing group

"WE ARE a very big British company," says Mr Tony Ryan, chairman of the Shannon-based aircraft leasing company which is going public next month.

Puffing on a large cigar in the Trafalgar Suite of the Ritz Hotel, Mr Ryan, the quintessential Irishman, is undeterred by a look of astonishment.

GPA is the third biggest buyer of Rolls-Royce engines and British Aerospace has a 20 per cent stake in its airbus programme, he says.

Mr Ryan wants GPA to be listed among the top 100 Footsie stocks in London. At an expected post flotation valuation of $2.4bn (£1.32bn) the company easily qualifies on size.



Ashley Ashwood

(Left to right) Maurice Foley, deputy chairman and group chief executive, Tony Ryan, chairman, and John Tierney, group financial officer

The fact that GPA is based in Shannon and does not pay tax in the UK has disqualified it from what its chairman calls the "London Club."

Whatever happens over the listing – and Mr Ryan says he will not allow the issue to go away – the group is unlikely to be referred to as the Irish aircraft leasing company after the flotation. It may move its headquarters to London or at the least upgrade its UK office.

Mr Ryan, who is not given to looking pleased with himself, cannot hide his relief that with the pathfinder prospectus out the controversial issues of pricing and persuading shareholders to sign binding agreements not to sell their shares immediately after the sale are mostly behind him.

There are still problems ahead, but they are likely to be industry related – which Mr Ryan prefers to talk about.

GPA is not like Atlantic Computers, the leasing arm of the now defunct British & Commonwealth, because it specialised in computers which went out of fashion. "What is today's technology is tomorrow's junk." But everyone is still going to need aeroplanes.

Mr Peter Villa, managing director of the International Bureau of Aviation, which publishes the Residual Value Journal, agrees that the company has been skilled at selling the income stream and aircraft to groups of investors.

The value of all aircraft has dropped. Values will improve over the next five years. The question is are they strong enough to survive until values improve?"

Mr Ryan says he knew what he was doing when GPA began marketing aircraft sales. He is confident that with most analysts forecasting 5 per cent annual growth in air traffic values of planes will improve.

He also feels confident enough to dismiss the possible downgrading of GPA's short and long-term debt by Moody, the credit rating agency, which has put the company, along with many others in the airline industry, on credit watch.

"If the sale goes well we are unlikely to be downgraded."

Over the next month Mr Ryan, who prefers the anonymity of his Tipperary home, will be on the road selling the company. "I feel a bit like Jesus Christ trying to convert people to this business."

No early decision on Macmillan disposal

By Andrew Jack

PLANS FOR the disposal of Macmillan and Official Airline Guides will not be determined before June, creditors to Maxwell Communication Corporation were told yesterday.

A group of 200 creditors overwhelmingly endorsed proposals for the future changes at MCC in their first meeting since the group went into administration under UK insolvency law last December.

Mr Mark Homan, a partner with accountants Price Waterhouse and one of the joint administrators, told 200 creditors at the Cafe Royal in London that he was considering legal action against past and present directors of MCC.

He said two further small European subsidiaries will be sold in the next few weeks.

Nimbus, the Wales-based manufacturer of compact disks, is to be sold by the end of this month, and Panini, an Italian manufacturer of stickers, by early June.

The administrators, in consultation with JP Morgan, the merchant bank appointed recently to advise them, had not yet decided how to sell Macmillan and Official Airline Guides, Mr Homan said.

They are still trying to decide whether to use two large sales, dispose of the underlying assets of the two groups piecemeal, or reorganise the group and distribute their shares to creditors.

Asked about possible legal action, he said investigations on the recovery of "mis-applied" assets were continuing. "We are not ruling out legal action but it is too early to say who we would be taking action against."

There are about 3,000 creditors and 7,000 bondholders to MCC, owed a total of £1.5bn.

A five-strong creditors' committee was formed at the meeting, comprising representatives from the Bank of Novia Scotia, Chase Manhattan, Credit Lyonnais, Fuji Bank, and Bayerische Vereinsbanke – which represents a number of bondholders.

Oxford United goes green

By Jane Fuller

A company which runs protection programmes for tropical rain forests and non-human primates is the new owner of Oxford United Football Club.

Biomass Recycling has bought the 89.5 per cent stake in the club previously owned by the late Mr Robert Maxwell from Buchler Phillips, the receivers of his private estate.

Mr Tim Midgley, a Biomass director, said one of the aims would be to create "an ecologically benign stadium". For example, solar panels in the roofs of the stands could charge batteries to run the floodlights.

With thousands of fans coming through the turnstiles each week, the stadium would demonstrate the sustainable use of materials and energy. It was a way of promoting the Biomass ethic, which also included community involvement.

"We started as a group of conservationists 15 years ago and felt we could have a major impact on the rain forest and its sustainable use." But with so much forest still being cut down, "we realised that we also had to do it by education."

Oxford United is set to move out of its cramped five-acre Manor Road ground in Headington.

Mr Midgley said that although the club had come close to being put into administration, it was operating profitably. "It does not have debts as such, but it has several legal problems over several sums of money."

Mr Peter Phillips, the receiver, said that although the club was only a small part of the estate, it had taken 700 man hours to sort out the sale. He said the chasing of Mr Maxwell's assets was "like putting a jigsaw together when you have no picture on the box."

Correction

Allegheny Ludlum

An article in the Financial Times on April 25 incorrectly stated that Allegheny Ludlum Corp was in bankruptcy proceedings. The article should have said Allegheny International was in bankruptcy proceedings; Allegheny Ludlum is a profitable producer of specialty materials, which emerged from Allegheny International via a management buy-out in 1980.

Further evidence of recovery in insurance industry

Royal first quarter losses reduced sharply to £48m

By Richard Lapper

ROYAL INSURANCE, the composite insurance company, yesterday announced a reduced pre-tax loss for the three months to March 31, providing further evidence that the industry may be returning to profitability after recent heavy losses.

Earlier this week General Accident also reported reduced losses for the first quarter, while Guardian Royal Exchange – which does not report on a quarterly basis – has also indicated that trading conditions are improving.

Royal's pre-tax losses were reduced from £63m to £48m, largely because of an improvement in underwriting results in the UK and the US, where the benefit of premium increases, introduced over the last two years, and stricter controls over underwriting is now being felt.

Worldwide underwriting losses amounted to £57m compared with £84m. Life profits were down to £14m (£16m). Investment income fell to £6m (£15m) while other income amounted to £6m (£6m) and share of associated income £5m (£10m). Loan interest for group financing amounted to £10m (£14m).

UK underwriting losses fell by £15m to £91m with the combined ratio in the UK (claims plus expenses against premiums) improving by nearly 6 points to 125 per cent.

The reduction of underwriting losses to £6m (£18m) on the motor account, where insurers were affected adversely last year by increased theft, climbing claims costs and a rising frequency of claims, is seen as particularly encouraging.

Underwriting losses for domestic mortgage indemnity business amounted to £50m, some £33m less than in the fourth quarter of 1991, although elsewhere on the household account, Royal recorded an underwriting profit.

The solvency margin, which measures net assets as a percentage of non-life premium income, remains the main blackspot. Following a fall in US bond prices the margin fell to 29 per cent at the end of the third quarter, nearly twice the legal minimum but one point below the level generally regarded as adequate in the industry.

Over the last months the solvency margin has risen to 32 per cent, with the post-election recovery in the UK equity markets helping to bolster capital.

Pentland US arm to float on NYSE with $120m-$135m tag

By Peggy Hollinger

PENTLAND, the sporting goods supplier which owns the Speedo brand name, yesterday announced that Authentic Fitness Corporation, its US affiliate, is to float on the New York Stock Exchange with a value of between $120m and $135m (£68m to £76m).

Proceeds will be used to pay AFC's heavy debt burden, the legacy of a highly leveraged $85m management buy-out in 1990. After the float, AFC is expected to have about $20m in debt.

AFC, which designs and sources Speedo in the US, intends to come to the market in July with 3m shares at a price to be pitched between $14 and $16. Pentland, which paid $10m for its 39 per cent stake in 1990, will see its holding fall to about 26 per cent.

Mr Frank Farrant, finance director, said the float would benefit Pentland next year through an increased contribution from associated undertakings.

AFC's high interest payments, which were $7.4m in the nine months to March 31 1992, would be substantially reduced, he said. AFC's pre-tax profits rose from £200,000 to £5m in the same period.

Pentland had no intention of further diluting its holding in AFC, Mr Farrant added. The $10m investment had been written off 18 months ago and now represented a value of between $31m and $35m. The UK group retained its worldwide rights to the Speedo name and would continue to receive royalties from AFC.

TransAtlantic and C&C to merge

By Richard Lapper

TRANSATLANTIC Holdings, the Luxembourg-listed life assurance and property group, and Capital & Counties, the UK property group in which TransAtlantic owns a majority stake, yesterday announced terms for a recommended merger.

As part of the deal, TransAtlantic will make an application to list its shares in London.

The market capitalisation of the enlarged group would amount to £970m.

Last month, TransAtlantic, which is advised by SG Warburg, the merchant bank, announced a one-for-four rights issue to raise £149m.

Principal terms of the merger are: five TransAtlantic ordinary for every six C&C shares; 100 TransAtlantic 6 per cent convertible preference shares for every 100 C&C 5.75 per cent convertible preference; and 65p cash plus accrued dividends for each C&C 4.2 per cent preference share.

Explaining the move Mr Donald Gordon, chairman of TransAtlantic, said it would increase his company's ability to raise capital and was something "that we have been trying to achieve for a long time."

Jacques Vert gives warning of 'substantial' pre-tax loss

By Jane Fuller

THE CLOSURES of a factory and a warehouse and the abandonment of a leisurewear line has led Jacques Vert, the womenswear group, to warn of a substantial pre-tax loss for the year just ended.

Yesterday's warning that there would be a substantial exceptional charge in the annual results follows a fundamental review of operations. Before exceptionals, the group had been expected to break even at best.

The problems came to light in January when the group shocked the market with a £125,000 pre-tax loss for the six months to October 26. About £1m profit had been expected compared with the previous year's £1.23m.

The factory to be closed is at Upton, Yorkshire, mainly used for making skirts. Mr Malcolm Heald, who has replaced Mr Seshi Myivaganam as finance director, said it had been losing money for some time. One of the nails in its coffin was the prospect of having an open-cast coal mine next door to it.

Production would mainly be replaced by outside sources. The group has been making nearly 60 per cent of its goods in-house.

The discontinuance of the Alain Cannelle leisurewear label, which had quality problems, would also mean closing a warehouse in Harlow.

In closing the two main sources of group losses, 174 jobs would be lost, leaving the total workforce at 750.

Mr Heald said the Jacques Vert label and JV Plus had remained profitable.

The write-offs would reduce shareholders' funds, which stood at £11.7m in April 1991. Net debt was about £6m at the interim stage and had not materially changed.

Cambridge Gp advances 11%

By Tim Coone in Dublin

CAMBRIDGE GROUP, the Dublin-based leasing and financial services group, has reported a 11 per cent increase in pre-tax profits in the year to February 29 from I£4.53m to I£5.02m (£4.6m). Turnover rose 42 per cent to I£42.4m, against I£29.8m.

The group has also announced a placing of I£10m of convertible loan stock with Electra Kingsway, an investment group. The stock is convertible to ordinary shares after three years within a price range of 50-55p. Full conversion at 50p would result in the issue of 20m shares, representing 23.6% of the enlarged capital.

The proceeds will be used to strengthen the capital base.

The book of lease payments, advances and hire purchase receivables grew by 32 per cent to I£74.7m (I£56.4m) which has been financed largely through a 42 per cent increase in bank loans and overdrafts to I£68m.

The Irish division saw growth and the UK operations performed satisfactorily. The collapse of the Europa group during the period gave rise to the company's largest single bad debt and problems were encountered in business through its Preston office. Full provisions were taken.

The profit for the year included a I£1.16m contribution from the Xtra-vision associate.

Earnings per share were 6.31p (6.25p). A final dividend of 0.55p is recommended for a 1p (0.9p) total.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
API ......int	3.05	July 3	2.75	-	6.75
Bank of Ireland ......fin	5.84♣	July 9	5.84*	9.17	9.17*
Burton ......int	1†	July 31	1.7	-	2.7
Cambridge Gp ......fin	0.55♣	July 1	0.5	1	0.9
Fine Art Devs ......fin	8.3	July 3	7.3	11	9.8
Finlay (James) ......int	2.15†	July 16	2.15	4.15	4.15
Flemg Euro Fledg ......fin	nil	-	0.25	nil	0.25
Foster (John) ......fin	0.5	July 14	0.5	0.5	0.5
GrandMet ......int	4.6	Oct 5	4.2	-	11.35
Hartpools Water ......fin	29	July 1	22	50	43
Hartstone ......fin	3†	July 31	2	4.875	3.25
King & Shaxson ......fin	2.5	June 26	7.75	5	10.25
Ldn Atlantic Inv ......fin	2.2	July 20	2.08	2.95	2.8
Mid-States § ......fin	2.25	Aug 15	2.25	3	3
RIT Capital ......fin	1.15	July 8	2.44	1.15	2.44
Tomkinsons ......int	3.5	June 30	3.5	-	11.5
Warner Howard ......fin	3.975	July 6	3.45	5.9	5.2
Warnford Invests ......fin	4.5	Oct 12	4.5	7.25	7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish currency.

Warning by British Gas after quarterly decline

By Neil Buckley

BRITISH GAS yesterday warned that a combination of warm winter weather, low oil prices and increasing regulation could damage results this year, as it revealed an 11.5 per cent drop in first quarter current cost pre-tax profits.

The stock market showed little surprise at the results, and the shares closed down 4½p at 250½p. This was despite the company's announcement that it would reduce prices to 17.8m domestic customers by 3 per cent from July.

Profit came to £860m (£973m) from turnover of £3.58bn (£3.69bn). But the company said its underlying business remained strong, with continued growth in the key tariff market sector, which consisted mainly of domestic customers.

In the UK gas supply sector, operating profit was down to £719m (£834m). Mr Robert Evans, chairman, said warm winter weather led to a 5 per cent fall in demand against 1991, and an 8 per cent drop compared with what would be expected in a normal winter.

Sales in the tariff market showed strong underlying growth of 3 per cent, although contract sales to larger customers fell 14 per cent because of a combination of lower economic activity and increased market share by competitors.

Mr Evans said 26 per cent of the UK firm gas market was now being supplied by competitors to British Gas, equivalent to 15 per cent of the total market including interruptible gas.

Profits from UK marketing activities were £7m higher through an improved performance from installation and contracting. But flat appliance trading sales reflected the continued slump in retailing.

Operating profits in the overseas gas supply sector rose to £71m (£68m).

The exploration and production sector, in which British Gas is looking for substantial growth in coming years as its share of UK gas supply is reduced, suffered a slight downturn in profits to £104m (£111m). This was mainly the result of lower oil prices, although sales, at 29.7m barrels of oil equivalent, showed an increased from last year's 27.9m barrels.

Earnings per share came to 13.7p (15.1p).

Mr Evans said management faced a "monumental challenge" in maintaining its levels of profitability, confronted with the cost of hiving off the pipeline business into a separate subsidiary. It must also reduce the share of the industrial gas supply market, and face competition in the commercial gas supply sector from later this year.

Analysts warned that while British Gas had long known its core domestic supply business would reach saturation point in the second half of the 1990s, it was now facing an earlier-than-expected slowdown in that market.

The need to invest in the exploration and production and global gas supply market to compensate for this would cut down the room for manoeuvre in reducing its spending.

Robert Evans: management facing monumental challenge

Cost cutting helps API achieve £2m midway turnround

By Peter Pearse

WITHOUT SEEING any real signs of upturn in the UK economy, API Group, the packaging concern, yesterday reported pre-tax profits of £1.34m for the six months to March 28, compared with losses of £849,000 previously.

Mr Moger Woolley, chairman since February, ascribed the turnround mainly to "sustainable internal cost improvements" – saving about £800,000 this time – though the absence of exceptionals helped; last time there was a charge of £570,000.

Last year a hostile bid from NMC, a rival packaging company, was parried, at a time when, according to Mr Dennis Holt, finance director, API was "leaderless".

He was the only remaining executive director and had only been with the company four months.

The defence against NMC had not left API weaker, claimed Mr Holt, though it had cost about £1m and "had motivated changes".

Formerly chief executive of DRG, the paper and packaging group, until it succumbed to Pembridge Investments, Mr Woolley is rebuilding API's depleted management team.

Mr Eric Holroyd, acting chief executive since last year, is to be replaced by Mr Mike Smith, chief executive of Jefferson Smurfit's print, packaging and converting side, at the beginning of June.

Turnover in the six months was flat at £29.5m and Mr Woolley said he was now looking to expand annual sales to the £100m-£120m mark.

Thanks to cost reductions – which in the period under review involved the loss of about 140 jobs and significant changes in working practices – there was now plenty of available capacity to be exploited.

"The kit is up to date and the plant is running better – the building blocks are now in place," Mr Woolley said. The group was financially well controlled, he added, and "now it's the sales and marketing side that needs a boost". For example, Slaters, the image enhancement company, was only exporting about 10 per cent of its output.

Earnings worked through at 4.5p (losses 2.7p) per share and the interim dividend is lifted to 3.05p (2.75p), in line with the forecast in last year's defence.

Net borrowings were £2.6m, giving gearing of about 10 per cent.

Bank of Ireland jumps to £77m but suffers higher tax charge

By Tim Coone in Dublin

BANK OF Ireland, the Dublin-based banking group, yesterday reported a 43 per cent jump in pre-tax profits from I£53.5m to I£76.8m (£70m) for the year to March 31.

But a higher tax charge resulted in a more modest 6 per cent rise, from I£27.4m to I£29.1m, in after-tax profits.

Mr Paul D'Alton, chief financial officer, said the increase in tax to I£47.7m (I£26.1m) was due to the group doing less tax-based lending in the past year, and heavier losses in the US which cannot be offset against profits in Ireland.

Mr Howard Kilroy, the bank's governor, said the group's "excellent" performance in the Irish market made this the "key strategic strength." A substantial reduction in loan losses in the UK demonstrated "that our operations there are being managed back to profitability" However, in the US, results from the New Hampshire businesses were "very disappointing."

The New Hampshire subsidiary lost I£76.6m, but bank executives believe that improvements seen in the first quarter figures, with an easing of loan-loss provisions, mean this trend can be continued through 1992.

Bank of Ireland bought the First New Hampshire Bank in 1988 for $370m (£203m) and has since had to write off almost $300m against bad loans.

Mr D'Alton said most of the losses had occurred on the loan portfolio which the bank assumed at that time. This had been hit by the downturn in the New Hampshire property market. The bulk of those bad loans had been written off and although a recovery in the New Hampshire economy was not foreseen in the short-term the bank was "cautiously optimistic" that there should be "a substantial reduction in losses this year."

Losses in the UK were cut from I£55.4m to I£21.9m. Profits in the Irish division rose by I£1.4m to I£131.9m. A one-off payment of I£7.6m was made in settlement of the recent industrial dispute which affected all four Irish clearing banks.

Earnings per share were 6.1p (5.7p). The recommended final dividend of 5.84p makes an unchanged total of 9.17p for the year.

UK co-managers selected in Wellcome Trust sale

By Maggie Urry

Wellcome Trust, which is working towards the sale of the majority of its 73.6 per cent stake in Wellcome, the drugs company, yesterday announced its selection of co-managers for the UK tranche of the issue.

The sale, which could raise over £4bn, and is being arranged on a global basis, is expected in the summer. The co-managers are James Capel, Barclays de Zoete Wedd Securities, Hoare Govett and NM Rothschild.

Co-managers in other regional syndicates will be announced later. It is expected that a UK house will be included in the US syndicate because few US brokers have published research on Wellcome.

Precondition met in Barlo bid

Barlo Group, the Irish radiator manufacturer, announced yesterday that the precondition for its bid for IRG, a plastics packaging manufacturer, has been met.

Irrevocable commitments to accept the offer have been received from shareholders holding a minimum of 15 per cent of IRG's issued equity capital.

A formal bid for IRG is expected to be made shortly.

Baillie Gifford to manage Provincial's investments

By James Buxton, Scottish Correspondent

Baillie Gifford, the Edinburgh investment management company, is to manage the stock market investments of Provincial Insurance, the privately-owned general insurance company.

The £420m of funds will bring the total managed by Baillie Gifford to £6bn, reinforcing its position as the largest Scottish fund manager and one of the leading independent fund managers in Britain.

Provincial, based at Kendal, Cumbria, hived off its life assurance and unit trust business to Prolific in 1988 to concentrate on general insurance.

Baillie Gifford is to manage Provincial's insurance reserves and general funds, which were managed by Prolific. Last year Baillie Gifford won the contract to manage Provincial's company pension fund.

The Provincial fund will be the largest single block of money under management at Baillie Gifford after Scottish Mortgage, its biggest investment trust.

Raglan in restructuring discussions

By Peter Pearse

Raglan Property Trust is in preliminary discussions with another party which might or might not lead to a restructuring of the company.

This would not involve an offer for the share capital.

Directors are shortly to call an EGM because, based on management accounts, they believe the net assets of the company have fallen below £880,000, or 0.5p per share, and were at less than half of the called-up share capital.

NEWS DIGEST

Caspen Oil declines to £6,000

CASPEN OIL, the Belfast-based oil and gas and engineering concern, reported a sharp fall in interim profits accompanied by a placing and open offer of convertible unsecured loan stock.

Production difficulties in the US and lower oil prices meant pre-tax profits fell from £144,000 to £6,000 on turnover £70,000 lower at £751,000. Profits included exceptional credits of £169,000 (£63,000) while earnings per share came out at 0.05p (0.34p).

Oil production was down 37 per cent after a prolonged period of bad weather in Texas and Louisiana. Average price per barrel declined 27 per cent.

The company has arranged for the placing of £1.2m nominal of 11 per cent convertible unsecured loan stock 1994-97 at par with institutional investors. Pursuant to an open offer, shareholders can apply for the stock on the basis of £1 nominal for every 40 ordinary shares held.

Proceeds will be used mainly to develop the two group businesses, Caspen Operating Company (oil and gas) and MTS (machine tool refurbishment).

City of Oxford net asset value falls

City of Oxford Investment Trust reported total net assets at the end of the year to March 31 of £24.9m (£19.3m) – an effective fall of 16.5 per cent after adjusting for last summer's rights issue.

Net asset value per income share was 19.6p, against 40.1p, with assets attributable to each zero dividend preference share rising to 72.4p (64.2p). Directors estimated that net asset value per income share had risen to 29.7p by May 12.

Net revenue rose 35 per cent to £1.28m (£947,807) and earnings per share were 4.9p (4.74p). As forecast at the time of the rights issue, a proposed final dividend of 1.3p makes a total of 4.9p (4.5p).

London Atlantic asset value down

Over the six months to March 31 net asset value per share of London Atlantic Investment Trust fell from 84.6p to 80.3p. A year earlier it stood at 79.7p.

For the 1991-92 year gross revenue was £1.87m (£1.85m) and net income worked through at £1.39m (£1.32m) for earnings per share of 3.06p (2.9p).

The final dividend is 2.2p for a total of 2.95p (2.8p).

Warnford Invests advances to £8.2m

Warnford Investments, the property investment group, raised pre-tax profit by 23 per cent, from £6.64m to £8.17m, in the year to December 25 1991.

The final dividend is 4.5p to make 7.25p (7p). Directors limited the increase to 3.57 per cent in view of the uncertainties surrounding the commercial property market. Earnings per share came to 14.51p (10.86p).

Rental side boosts Warner Howard

Warner Howard Group, the commercial laundry and warm air hand dryer supplier, lifted pre-tax profit by 11 per cent, from £5.14m to £5.71m, in the year to February 29. Turnover expanded 25 per cent to £22.2m.

Mr Ronald Hooker, chairman, said sales of capital goods remained depressed, but were more than offset by a sustained rise – 17 per cent this time – in rental income.

Derek Wright (Food Machinery) proved to be "an excellent acquisition". Profits were as expected and plans for growth included the introduction of new product lines.

Earnings per share came to 17.16p (15.57p) and the final dividend is 3.975p for a total of 5.9p (5.2p).

John Foster cuts loss to £381,000

With the inclusion of exceptional credits John Foster & Son, the specialist textile group, made substantial inroads into its losses in the year to February 28.

Trading conditions remained depressed, with the resultant intense competition for business. Turnover fell to £22.7m (£26.6m) but the operating deficit was reduced to £1.4m (£1.56m); taking in credits of £1.02m (debits £676,000) left the year's pre-tax loss at £381,000 (£2.24m).

Losses per share were 2.3p (14p) after tax credits of £131,000 (£678,000). The dividend is again 0.5p.

Mr David Allen, managing director, reported that the balance sheet was strong, new products and designs had been well received and, despite two difficult years, the group was in good shape.

Property sale lifts Finlay to £10.8m

Helped by a surplus on sale of property, James Finlay, the overseas trading and financial services group, increased pre-tax profits from £9.52m to £10.8m in 1991.

Turnover slipped to £144m (£149m) but the operating surplus rose to £12.8m (£11.1m) with the help of a £1.3m profit from the sale of property by George Payne.

Contribution from plantations was held at £4.34m, confectionery and beverage provided £6.57m (£4.56m) including the property deal, merchant banking and international confirming moved from a £49,000 loss into a £729,000 profit.

Trading, manufacturing and merchanting saw a decline to £2.6m (£3.15m), property accounted for £369,000 (£348,000), and oil and gas interests showed a deficit of £75,000 (surplus £324,000).

Geographically, the two biggest contributors were the UK and Africa with £7.08m (£4.54m) and £5.08m (£3.77m) respectively. North America fell behind at £985,000 (£2.53m) as did Asia with £344,000 (£1.6m), but Australasia cut its loss to £645,000 (£1.36m).

Earnings per share were 6.8p (6p) and the dividend is held at 4.15p with a second interim of 2.15p.

Hartlepools Water advances to £1.24m

Hartlepools Water Company yesterday reported a 29 per cent rise in annual pre-tax profits, from £960,000 to £1.24m.

Directors plan to raise the dividend for the year to March 31 from 48p to 50p via a final of [illegible].

The company commented that although metered demand had been falling it was expected to stabilise at the present level. Turnover rose 7 per cent to £5.09m (£4.77m); earnings per stock unit increased to 117p (85p).

RIT Capital asset value rises to 140.7p

RIT Capital Partners achieved a 7 per cent rise in net asset value in the year to March 31, ending at 140.7p, against 131.7p previously.

Investment income fell 19 per cent to £11.5m (£14.2m) reflecting the change in policy towards investing in equities against fixed interest securities. Interest payable jumped to £3.09m (£1.87m) and after tax of £2.38m (£3.07m) net profit declined 48 per cent to £3.7m (£7.17m).

A dividend of 1.15p (2.44p) is proposed for the year on earnings per share of 1.69p (3.53p) undiluted and 1.61p (2.89p) diluted.

Fleming European Fledgeling down

Fleming European Fledgeling Investment Trust reported a 2 per cent fall in net asset value per share to 74.4p at March 31 1992, against 76.1p a year earlier.

Net revenue for the year dropped from £173,000 to £33,000, giving earnings per share of 0.08p (0.48p).

As foreshadowed, no dividend will be paid due to the company moving to a fully invested position and the low yields available on smaller European companies.

The trust said it invested primarily for capital growth and any dividend payments in normal circumstances were unlikely.

Mid-States lower in difficult year

Mid-States, the Nashville-based automotive parts distributor quoted on the USM, reported 1991 pre-tax profits down from £5.27m to £2.73m in an "extremely difficult year" for the US motor industry.

However, the company said that it had increased market share appreciably. Turnover increased 17 per cent to £48.9m (£41.9m) mainly reflecting a full 12 months contribution from two acquisitions in 1990.

Net interest costs increased from £169,000 to £735,000 due to debt to fund acquisitions.

Earnings per share fell to 6.3p (8.9p). The proposed final dividend is maintained at 2.25p for a total of 3p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Alexanders, Foreign & Colonial Inv Trust, Holmes & Marchant, Northern Ind Improvements Trust.

Finals- Barlo, Eldon, South Staffs Water, Tullow Oil.

FUTURE DATES

Interims-	
Foreign & Col Eurotrust	May 18
MEPC	May 28
Molyneux Estates	May 19
Finals-	
Amerindian Ind	June 10
Borthwicks	June 1
British & American Film	May 27
Fitzwilton	May 22
Golden Hope Plantations	June 3
Morris Ashby	July 14
Portsmouth & Sunderland	June 18

MacSharry seeks 'understanding' on farm policies

By David Gardner in Strasbourg

THE FIVE and a half-year-old Uruguay Round trade liberalisation talks could be concluded if the US and the EC make real efforts to understand what each is contributing in farm subsidy cuts, the issue blocking agreement.

This was the view of Mr Ray MacSharry, EC agriculture commissioner, who said that an agreement "could be close" – but only if the US understood and accepted what the EC was prepared to do in reforming its farm sector.

The commissioner's purpose was to lay out the critical issues and identify where there were areas of flexibility, to "get us over the bar on Gatt", the General Agreement on Tariffs and Trade, which is conducting the Round.

Mr MacSharry said that willingness of the US and Gatt to exempt the EC's planned compensation payments to farmers for price cuts from the Round's subsidy cuts schedule "holds the key to an agreement". The "final act" of the Round, drawn up by Mr Arthur Dunkel, the Gatt general director, last December, excluded these payments from its "green box" for subventions that did not encourage production and therefore distort trade.

The compensation payments, which the EC may approve next week as a central component of the MacSharry plan to reform the common agricultural policy, are conditional on all but small farmers taking land out of production. "We have given absolute guarantees that they will reduce production," Mr MacSharry said, adding that they were "more specific than Dunkel's green box." "This is the real contribution the community is making," the commissioner argued.

He said it was politically impossible for the EC to accept – as the US has suggested – that these payments be allowed for six years but then become degressive. A majority of member states agree with Mr MacSharry, but countries like the UK and Netherlands attach more importance to preventing a Gatt agreement from restricting exports.

The Dunkel text requires a 24 per cent cut in the volume of subsidised exports over six years, as well as a 36 per cent cut in export subsidies. Mr MacSharry said this was "a fact of life and there will have to be [volume restraint] commitments." But he said that "at the end of the day, if people don't want to come off that 24 per cent, there are other avenues which will enable the EC to makes its contribution on [restraining] exports."

The other method is so-called "aggregation", whereby volume cuts would be delivered by sectors rather than products, enabling the EC to cut more, say, on skimmed milk powder and barley, and less on higher added value products like cheese and bread-making wheat. But the US has shown no inclination to allow this edge to the EC's most competitive products.

Though Mr MacSharry accepted that there was nothing to indicate the US was moving towards the EC, he underlined that there were still "talks on an almost daily basis" going on between the two sides at all levels.

Record copper demand forecast

By Kenneth Gooding, Mining Correspondent

COPPER CONSUMPTION is likely to rise by 4.5 per cent next year to reach a record 9.35m tonnes, according to the Metal Bulletin Research consultancy organisation.

This should support a sharp increase in the average copper price from about $1.03 a lb this year to $1.20 and "set the scene for a major bull market in the middle of the decade".

In a special report, analysts Mr Neil Buxton and Ms Rosalind Stewart suggest that copper supply will not be able to keep pace with demand next year. Stocks should therefore fall by about 200,000 tonnes to 700,000 tonnes, representing only four weeks of average consumption – the same level as during the 1987-89 bull market for copper.

They say that beyond 1993 mine capacity should meet the likely need for copper concentrate (an intermediate material) in the mid-1990s. But there is concern about the level of smelting capacity.

The only new copper smelter likely to be in production in the next two years is the 100,000 tonnes-a-year Lulu refinery in Zaire, scheduled to open in July this year.

"Copper Industry Review," £600 or $1,100 from Metal Bulletin Research, 16 Lower Marsh, London SE1 7RJ, England.

Alcan agrees 4-year pay deal

By Robert Gibbens in Montreal

ALCAN Aluminium's Quebec smelter workers have accepted a new four-year contract providing a total 8.6 per cent in pay increases retrospectively to May 1, 1991.

The unions also negotiated tighter job security clauses covering plant modernisation and technological change.

The new agreement covers all Alcan's smelters in Quebec, except a small plant near Montreal. In all the company has about 700,000 tonnes of ingot production capacity in the province.

Alcan laid off about 4,000 employees world-wide in 1991 and shut down 8 per cent of its smelting capacity because of low world prices. It has warned further cuts of about 1,000 jobs world-wide might follow this year.

About half of US aluminium producers have already agreed short-term contracts.

Brazil studies coffee stance

By Bill Hinchberger in Sao Paulo

GOVERNMENT officials and private sector representatives met in Brasilia yesterday to try to hammer out a detailed Brazilian position for the next round of talks on the International Coffee Agreement, set to begin 27 May.

"The idea is to go to the meeting with a clear position," said Mr Joaquim Libanio Ferreira Leite, director of exports for the Guaxupe Coffee Producers Co-operative. "Up to now we have waited for the others' positions."

Brazil is expected to maintain its 10-point overall proposal announced prior to the April round of talks. Present discussions are aimed at defining specifics within those guiding principles, said Mr Celsius Lodder, director of the Department of Supply and Prices of the Economy Ministry, who is co-ordinating the government's participation.

"What we don't want to discuss right now is a quota for Brazil," said Mr Lodder. "We think there are other points that are more important."

● The Brazilian Federation of Coffee Exporters says the country's coffee exports in the first four months of 1992 increased by 12 per cent over the same period last year, to 5.73m bags (60 kg each). But because of low prices on the world market receipts were down by 9.6 per cent at $425.6m.

Earth Summit casts shadow over timber talks

By Adam Raphael

A DECISION to ask producer nations to assess the resources needed to attain sustainable management of their tropical forests drew fire from environmentalists at the two-week meeting in Yaounde, Cameroon, of the International Tropical Timber Organisation, which ended yesterday.

"It's like offering them a combination of a ransom note and a blank cheque," said Francis Sullivan of Worldwide Fund for Nature. "The decision says nothing about the opportunity to recover money to support sustainable management from fees, taxes and other revenues, outlined in their own consultants' report, which suggests that more than enough money is available already."

Brazil, the only country to have submitted such an assessment so far has asked for $6bn to fight poverty, which it says is the root cause of the non-sustainable use of forests. A British delegate scorned the Brazilian demand as "pie in the sky".

This 12th session of ITTO also dealt with a budget crisis. The organisation is heavily overspent, and has drawn on reserves of working capital to finance its 1992 budget shortfall and to make possible the next meeting in Yokohama in November, at which the renegotiation of a second tropical timber agreement is to begin.

ITTO's critics say this has been a disappointing fortnight in which too little has been achieved. This is not surprising as the meeting has ended only two weeks away from the Earth Summit in Rio, where a Statement of Forest Principles is to be agreed, hope of a Forest Convention now having been abandoned.

The pall of Rio hung over this conference. Delegates admitted privately that there were two reasons so little was accomplished. First, that consumer nations were unwilling to risk upseting producers so close to the Earth Summit, where their co-operation would be essential to avoid disaster; secondly, that Rio offered the possibility of an instrument that could lend ITTO muscle (if not teeth) for the future, and that it would be wise to wait.

But environmental non-governmental organisations (NGOs) at the meeting said Rio was a smoke-screen to cloak the organisation's indecision and inaction.

They spoke of the lack of "real action in tackling the tropical timber trade's role in perpetuating deforestation, both by consumers and producers". A statement by the NGOs referred to huge disparities between the objectives and priorities of the organisation and the actual progress being made in achieving them.

The ITTO meets twice yearly in what has become a kind of square dance, producers to the left, consumers to the right, and "promenade", with the NGOs on the sidelines calling the figures. But, like a dance, it goes round and round and gets nowhere.

One delegate complained that the ITTO was too much occupied with projects and not enough with policy. Since 1985, more than 100 research and development projects have been approved, and more than $100m allocated.

The NGOs charge that many of these projects are meretricious and that anyway they bring ITTO members no closer to the original aims of the agreement, to expand trade and foster conservation. What is more, they say, the project cycle needs to be reformed. It is an exhaustive procedure, in which project suggestions are prepared long before ITTO meetings, where they are considered and then passed back to committees. The projects then become the responsibility of the small and overstretched staff, who have to supervise their implementation. The NGOs say this has led to corruption and misappropriation of funds.

ITTO's defenders cite the adoption of guidelines for conservation and Target 2000 (in which members have agreed that all exports of tropical timber should be from sustainable forests by the next century) as evidence of progress. Mr Arthur Morell of the UK Timber Trade Federation, an adviser to the UK delegation, says ITTO is the best safeguard of future supplies. He attacks the critics: "if a fire is not burning as brightly as you would like, you build it up, not throw water on it".

But Mr Julio Cesar Centeno, a Venezuelan forestry expert, insists that the organisation, after nine years, has achieved no change. "Not one cubic metre of tropical logs has been processed in any producing country due to ITTO," he declares, "nor have any industries been modernised or new industries set up." He says the objective of fostering development has been ignored by ITTO.

The International Tropical Timber Agreement also makes reference to fair prices for timber products. "Discussion on prices has been consistently avoided in the deliberations of the organisation," says Mr Centeno.

The NGOs' expressed scepticism about ITTO members reliance on Rio to set the organisation on its feet. "If 47 countries cannot make progress in nine years", said one observer, "what can 147 nations do in two weeks?".

Guyana hands over reins of export industries

Canute James on preparations for bauxite and sugar privatisations

In an attempt to cut losses and lift productivity and production, Guyana is restructuring the administration of the two commodity sectors that form the foundation of its economy.

The bauxite and sugar industries, owned by the government of the English-speaking republic on the north eastern shoulder of South America, are to be sold off in the next two years. To prepare for this, the management of both industries has been taken over by foreign companies.

An Australian company took over the administration of the bauxite (aluminium ore) industry this month, coinciding with a move by the government to assume some of the industry's heavy debts. Government officials appear optimistic that the fortunes of the industry, which is one of the world's main producers of calcined bauxite, will be similar to those of the sugar sector. The divestment of the management of sugar has been followed by increased production.

The management of the bauxite industry is now in the hands of Minproc Engineering of Sydney, Australia, while the government tries to clear the industry's debts of US$85m, making it a viable proposition for privatisation.

In addition to managing the industry for at least 18 months, the Australians will be marketing the country's metallic and calcined grades of bauxite. The call on foreign management and the planned divestment has come two decades after the government nationalised the local operations of Reynolds of the US and Alcan of Canada.

But the industry's fortunes have waned with a deterioration in the country's economy. A shortage of hard currency prevented expansion and maintenance of equipment. Once accounting for 70 per cent of the world's calcined bauxite output, Guyana's share has fallen to 40 per cent.

The involvement of the Australians in Guyana's bauxite industry follows earlier attempts by the government to find managers and buyers. Alcan of Canada and Billiton, a subsidiary of the Royal Dutch/Shell company, had indicated some interest but did not pursue negotiations.

The restructuring of the industry is being funded by loans that the government has negotiated from the World Bank, the European Investment Bank and the European Community. The Guyana government has written off the $10m that it was owed by the bauxite industry. The government is also to assume the debt of more than $22m that the industry owes to commercial banks.

Jamaica's bauxite ore production in the first quarter of this year was 2.82m tonnes, 5.2 per cent more than the corresponding period of 1991, writes Canute James in Kingston. The Jamaica Bauxite Institute reported that production of alumina (aluminium oxide) in the quarter fell 3 per cent to 735,000 tonnes.

Exports of crude ore of 949,000 tonnes were 5.1 per cent less than the first quarter of last year, but government officials say the industry is still projecting overall ore production for this year at 12m tonnes, compared with actual output of 11.5m tonnes last year.

The change in the industry's management, and the plan for privatisation, follow renewed interest by foreign investors in the country's bauxite industry. The government's recent liberalisation of the conditions for foreign investment has resulted in new projects that promise a significant increase in output.

C.A. Dayco de Construcciones of Venezuela is involved in a venture to mine 1.4m tonnes over three years for the Guyana Mining Enterprise, to be sold to Interalumina of Venezuela, and a subsidiary of Reynolds Metals of the US is in a joint venture that is expected to yield about 2.5m tonnes of ore per year.

Guyanese government officials appear optimistic about the prospects of the bauxite industry, and the prospects for economic viability. They are hoping that Minproc Engineers will be able to emulate the changes have taken place in the sugar industry, the sale of which the government is hoping to conclude later this year.

According to Mr Desmond Hoyte, Guyana's president: "The process of divesting the sugar industry is under way and will not stop and cannot be stopped".

Booker Tate of the UK, whose parent company's Guyanese sugar holdings were nationalised by the government two decades ago, took over the management of the industry in 1990 from a state-owned company. The industry was in trouble and unable to meet its supply quotas to the European Community and the US while supplying the domestic market.

In each of the previous three years Guyana had to plead force majeure on its export commitment to the European Community. According to government officials, the decision to put the industry in the hands of Booker Tate is already paying dividends. Shipments are being made to the US and the EC, and production is rising. Guyana has found the 182,000 tonnes to meet its EC and US quotas.

Under Booker Tate's management sugar production rose from 130,000 tonnes in 1990 to 160,000 tonnes last year. Nearly 90,000 tonnes have already been milled for the first crop this year, doubling the 44,000 produced over the corresponding period last year.

"Unless we had done this, the industry would not have turned around," said Mr Hoyte. "In every industry we have divested the workers have benefited enormously from improved conditions of pay and service. In every industry we have divested, that industry has so far done better than when it was under state control. . . and those are facts that cannot be gainsaid."

Government officials have not named the parties interested in buying the sugar industry, although there are reports that Booker Tate, already with a foot in the door, is likely to be at the top of the list.

● The world supply/demand balance for sugar is likely to tighter next year, following a projected stocks rise of 1.24m tonnes in 1991-92, according to the latest Sugar Review published by London trader C. Czarnikow.

"More than 1m tonnes of production may be lost next season by countries in Southern Africa [because of the present drought]," while "overall offtake is likely to rise, if only modestly," Czarnikow says.

MARKET REPORT

The **TIN** market reached 18½-month highs in the afternoon as the three-months price, having broken $6,100 a tonne, quickly soared to its next target area above $6,200. The price reached $6,240 before dealer selling and profit-taking pared gains. Traders said the rise now appears to have become overdone with punters looking to take profits and the trade keen to hedge at these higher levels. The tightness of nearby delivery dates in **ZINC** flared again, taking the premium for cash metal over three-month to $102 a tonne from $76.25 on Wednesday. New York **COTTON** futures rallied in active midday dealings. Analysts said that the Russian trade mission had reportedly purchased US cotton for the Moscow area mills. London **COCOA** ended the day generally easier after the market encountered another batch of origin selling from the Ivory Coast which quickly eroded morning gains. "The origins can't leave the market alone at the moment, but the problem is many people just aren't buying," one dealer said. **GOLD** moved ahead on the London bullion market on early Middle East short-covering and Japanese buying, which drove prices to a high of $337.75.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.10-7.15	-0.15
Brent Blend (dated)	$19.75-9.85	-.125
Brent Blend (Jul)	$19.55-9.60	-.125
W T I (1 pm est)	$20.80-0.85q	-0.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$229-231	+1
Gas Oil	$179-180	-3
Heavy Fuel Oil	$76-78	
Naphtha	$166-168	-3.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$337.00	+1.7
Silver (per troy oz)♣	410c	+1.0
Platinum (per troy oz)	$356.60	+2.85
Palladium (per troy oz)	$82.75	
Copper (US Producer)	104.75c	-0.08
Lead (US Producer)	37.38c	+0.01
Tin (Kuala Lumpur market)	15.05r	
Tin (New York)	283.5c	+0.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	109.66p	+0.35*
Sheep (live weight)†♣	90.49p	-3.85*
Pigs (live weight)†	102.69p	+1.60*
London daily sugar (raw)	$245.1t	+0.6
London daily sugar (white)	$264.5t	+0.5
Tate and Lyle export price	£243.0	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£147.5	
Wheat (US Dark Northern)	£120w	
Rubber (Jun)♥	53.50p	+0.25
Rubber (Jul)♥	53.50p	+0.25
Rubber (KL RSS No 1 Jun)	217.0r	-0.5
Coconut oil (Philippines)§	$550.0t	+10
Palm Oil (Malaysian)§	$380.0t	
Copra (Philippines)§	$422.5	+7.5
Soyabeans (US)	£154.5q	+5.0
Cotton "A" index	61.80c	+1.2
Wooltops (64s Super)	426p	-4.0

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-May/Jun y-Apr/May w-Apr z-May q-Jun †Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	214.00	215.20	216.00	215.00
Oct	203.20	204.60	205.80	202.60
Dec	194.00	194.00	190.80	
May	194.00	192.80	192.80	
White	**Close**	**Previous**	**High/Low**	
Aug	277.50	278.00	279.50	277.00
Oct	267.40	268.30	269.50	267.00
Mar	268.40	268.10	269.00	268.00

Turnover: Raw 126 (111) lots of 50 tonnes. White 257 (792)
Paris- White (FFr per tonne): Aug 1526.83 Oct 1480.78

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Jun	19.88	19.97	19.95	19.85
Jul	19.57	19.66	19.68	19.51
Aug	19.48	19.50	19.59	19.41
Sep	19.41	19.44	19.45	19.37
Oct	19.34	19.44	19.39	19.31
Nov	19.34	19.45	19.34	
Dec	19.25	19.39	19.27	19.21
IPE Index	19.89	19.86	19.89	

Turnover 14169 (41971)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jun	177.75	179.75	179.25	177.00
Jul	178.00	180.00	179.50	177.50
Aug	179.75	181.75	181.00	179.75
Sep	181.75	183.00	183.00	181.25
Oct	184.00	185.50	184.50	183.50
Nov	185.25	186.75	185.50	184.50
Dec	186.50	187.00	186.75	186.00
Jan	185.00	186.00	186.00	184.50
Feb	181.25	-	182.50	

Turnover 9180 (9365)lots of 100 tonnes

FRUIT & VEGETABLES

Apples continue to be superb with different varieties to choose from, including Cape Golden Delicious at 55-60p a lb (60-70p) and Cape Granny Smith at 45-55p a lb (50-56p) reports the FFVIB. Royal Gala & Gala apples from New Zealand at 60-70p a lb (70-80p) are also good apple choices. Potatoes are excellent this week with Jersey Royals at 45-55p a lb (70-80p), Majorcan varieties at 26-30p a lb (25-30p) and Valencia potatoes at 20-28p a lb (20-25p). Good salad buys include British, Dutch, Guernsey & Canary Island tomatoes at 50-60p a lb (50-60p) and British Round lettuce 20-25p each (20-25p)

WORLD COMMODITIES PRICES

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
May	550	546	548	545
Jul	565	567	572	564
Sep	588	592	597	586
Dec	620	623	626	619
Mar	649	653	657	650
May	668	673	676	668
Jul	688	692	694	685
Sep	707	712	715	707
Dec	737	737	738	737

Turnover: 7019 (6147) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 13 719.68 (720.60) 10 day average for May 14 730.24 (732.17)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
May	690	682	697	690
Jul	716	711	719	712
Sep	736	732	740	732
Nov	757	752	760	756
Jan	777	773	778	775
Mar	793	790	795	

Turnover:2045 (2064) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 13: Comp. daily 49.32 (48.60) 15 day average 49.16 (49.33)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	107.0	110.0	110.0	107.0

Turnover 169 (54) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low	
Jun	125.00	121.00	125.00	124.50
Aug	122.00	-	122.00	

Turnover 90 (100)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
May	1290	1263	1290	1272
Jun	1235	1200	1235	1214
Jul	1134	1101	1135	1110
Oct	1245	1235	1245	1240
BFI	1267	1268	1267	

Turnover (412)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
May	124.15	-	124.15	123.80
Jun	124.80	125.15	125.00	124.75
Sep	111.10	110.85	111.10	110.80
Nov	114.15	113.90	114.15	113.85
Jan	117.90	117.50	117.90	117.25
Mar	120.80	120.50	120.80	120.50
May	123.75	-	123.75	123.60
Barley	**Close**	**Previous**	**High/Low**	
May	119.25	119.00	119.25	119.00
Sep	107.85	107.70	107.85	107.40
Nov	111.60	111.40	111.60	111.10
Jan	114.75	114.70	114.75	114.50

Turnover: Wheat 307 (178), Barley 61 (136). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jun	119.5	-	119.3	119.0
Jul	113.5	113.0	113.4	113.0

Turnover:21 (34) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,781 lots
Cash	1305-6	1297.5-8.5	1308/1307.5	1307-7.5		
3 months	1330-1	1323.5-4.0	1334/1329	1333-3.5	1329-30	108,800 lots
Copper, Grade A (£ per tonne)						Total daily turnover 15,689 lots
Cash	1214-5	1217.5-8.5	1211.5/1211	1210.5-11.0		
3 months	1240-1	1244.5-5.5	1243/1237	1237.5-8.0	1243.5-3.5	103,639 lots
Lead (£ per tonne)						Total daily turnover 1,909 lots
Cash	290-0.5	291-1.25		289.25-0.5		
3 months	302.75-3.0	303.5-4.0	304/302	302-2.25	303-3	16,965 lots
Nickel ($ per tonne)						Total daily turnover 3,498 lots
Cash	7315-20	7315-25	7325	7325-8		
3 months	7400-5	7400-10	7420/7400	7411-2	7400-5	24,285 lots
Tin ($ per tonne)						Total daily turnover 2,554 lots
Cash	6185-95	6060-5		6145-50		
3 months	6195-200	6090-1	6240/6085	6150-60	6180-5	7,185 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 28,475 lots
Cash	1373-5	1332-5	1358/1355	1358-6		
3 months	1273-4	1257-7.5	1278/1263	1265-5.5	1278-7	62,857 lots

LME Closing £/$ rate: SPOT: 1.8220 3 months: 1.7941 6 months: 1.7692 9 months: 1.7487

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	338.80-337.20	
Opening	337.00-337.30	
Morning fix	336.50	184.495
Afternoon fix	336.90	184.807
Day's high	337.30-337.60	
Day's low	336.50-336.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.92	6 months	2.95
2 months	2.93	12 months	3.28
3 months	2.94		

Silver fix	p/fine oz	US cts equiv
Spot	225.00	410.00
3 months	230.20	415.25
6 months	235.75	417.35
12 months	246.55	427.05

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	337.00-338.00	184.50-185.00
Maple leaf	348.00-349.00	191.20-191.70
New Sovereign	81.00-82.00	44.50-45.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	124	144	3	17
1300	44	70	21	32
1400	8	26	84	86
Copper (Grade A)	**Calls**		**Puts**	
2100	132	139	3	7
2200	47	65	16	32
2300	7	22	75	87
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
650	67	94	1	7
700	28	57	12	20
750	7	30	41	43
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
575	12	34	22	22
600	6	23	41	36
625	2	15	62	53
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
1950	44		35	
2000	22	36		
2050	10			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	338.0	335.6	0	0
Jun	338.4	336.1	338.9	337.1
Jul	339.2	336.9	0	0
Aug	339.9	337.6	340.0	338.7
Oct	341.6	339.2	342.0	340.5
Dec	343.5	341.1	344.0	342.4
Feb	345.7	343.3	345.2	344.5
Apr	347.8	345.4	348.0	346.9
Jun	350.2	347.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
May	351.2	351.2	0	0
Jul	357.3	353.2	357.8	356.0
Oct	361.1	357.1	361.5	358.5
Jan	361.1	357.1	360.5	360.0
Apr	361.6	358.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	410.7	408.6	410.5	410.0
Jun	411.2	409.2	0	0
Jul	412.3	410.3	413.0	410.5
Sep	415.3	413.3	415.5	414.0
Dec	419.8	417.8	421.0	418.5
Jan	421.4	419.4	0	0
Mar	425.0	423.0	0	0
May	428.7	426.7	0	0
Jul	432.4	430.4	433.0	433.0
Sep	436.8	434.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	100.10	100.35	100.75	100.00
Jun	100.20	100.50	100.60	100.15
Jul	100.35	100.70	101.15	100.20
Aug	100.35	100.70	100.75	100.30
Sep	100.60	100.90	101.25	100.75
Oct	100.65	100.95	0	0
Nov	100.65	100.95	0	0
Dec	100.75	101.00	101.35	100.80
Jan	100.65	100.90	0	0
Feb	100.50	100.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.61	9.70	9.75	9.61
Oct	9.08	9.17	9.21	9.07
Mar	8.94	9.00	9.03	8.94
May	8.92	8.98	8.96	8.92
Jul	8.87	8.90	0	0
Oct	8.85	8.85	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.65	20.76	20.73	20.57
Jul	20.80	20.90	20.85	20.72
Aug	20.84	20.93	20.90	20.76
Sep	20.81	20.88	20.87	20.75
Oct	20.75	20.82	20.78	20.70
Nov	20.69	20.74	20.72	20.60
Dec	20.68	20.69	20.67	20.57
Jan	20.58	20.60	20.59	20.55
Feb	20.50	20.52	20.50	20.50
Mar	20.45	20.45	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	5695	5721	5710	5640
Jul	5680	5699	5690	5640
Aug	5740	5768	5750	5710
Sep	5850	5855	5855	5825
Oct	5950	5950	5950	5920
Nov	6035	6045	6045	6030
Dec	6140	6125	6140	6100
Jan	6180	6150	6160	6125
Feb	6050	6045	6020	6020
Mar	5830	5825	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	912	921	929	907
Sep	953	960	968	947
Dec	1002	1009	1016	1000
Mar	1042	1047	1056	1051
May	1070	1076	0	0
Jul	1101	1107	0	0
Sep	1128	1134	0	0
Dec	1159	1165	1160	1160

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	62.25	63.00	64.25	61.80
Jul	62.95	63.75	64.30	62.30
Sep	65.15	65.70	66.30	64.30
Dec	68.15	68.85	69.35	67.30
Mar	70.95	71.85	72.20	70.25
May	75.00	75.75	75.25	74.50
Jul	77.50	77.80	78.10	77.00
Sep	79.75	80.50	80.00	79.50

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	61.53	62.55	64.15	61.55
Oct	62.05	62.75	63.65	62.01
Dec	62.30	62.94	63.95	62.30
Mar	63.85	64.15	64.65	63.60
May	63.95	64.63	64.95	63.95
Jul	64.50	64.90	65.10	64.80
Oct	64.10	64.13	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	141.75	139.20	142.90	139.50
Jul	136.95	132.95	137.90	133.50
Sep	128.25	125.20	129.80	126.10
Nov	119.00	116.80	121.00	117.50
Jan	118.00	116.00	119.95	116.50
Mar	117.75	115.80	119.80	118.25
May	117.25	115.25	119.60	119.80
Jul	117.25	115.25	0	0
Sep	117.25	115.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 14	May 13	mnth ago	yr ago
1600.0	1589.9	1602.1	1715.2

DOW JONES (Base: Dec. 31 1974 = 100)

	May 13	May 12	mnth ago	yr ago
Spot	118.65	118.00	115.94	123.10
Futures	119.66	118.64	119.23	127.25

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	609/0	614/4	613/4	605/0
Jul	615/4	619/4	622/0	610/4
Aug	619/4	623/2	625/0	614/0
Sep	622/4	627/4	629/0	619/4
Nov	630/6	635/2	637/0	625/0
Jan	639/0	643/2	644/0	634/4
Mar	647/4	650/4	652/0	643/6
May	655/0	657/0	658/0	650/0
Jul	659/0	660/4	659/0	655/0
Nov	610/0	606/4	613/0	608/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	21.03	20.93	21.20	20.72
Jul	21.19	21.12	21.43	20.98
Aug	21.30	21.27	21.56	21.10
Sep	21.48	21.46	21.70	21.28
Oct	21.60	21.62	21.82	21.40
Dec	21.94	21.92	22.17	21.70
Jan	22.02	22.01	22.20	21.85
Mar	22.30	22.30	22.42	22.10
May	22.52	22.55	22.60	22.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	185.5	187.5	186.8	183.8
Jul	186.5	188.2	187.8	184.5
Aug	187.0	189.1	188.5	185.5
Sep	187.7	189.0	189.0	186.0
Oct	205.2	207.0	206.2	203.3
Dec	208.0	208.2	207.4	204.0
Jan	206.6	207.7	207.5	205.0
Mar	206.5	207.2	209.0	206.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	257/0	256/4	257/0	252/6
Jul	263/2	261/0	263/4	258/4
Sep	263/6	261/6	264/4	259/4
Dec	264/6	263/6	265/2	260/0
Mar	272/2	271/4	272/4	267/2
May	276/0	275/2	276/4	271/0
Jul	279/6	279/4	279/6	275/0
Dec	261/6	265/0	262/0	260/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	384/2	384/4	386/0	381/0
Jul	355/4	362/6	361/6	354/0
Sep	359/4	366/4	365/6	359/0
Dec	367/4	374/0	373/4	367/0
Mar	370/0	374/0	372/4	366/4
May	358/4	364/0	360/0	358/4
Jul	338/0	344/0	342/4	338/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	73.725	73.725	73.875	73.150
Aug	70.575	70.875	70.950	70.250
Oct	70.325	70.425	70.475	69.950
Dec	70.025	70.125	70.175	69.750
Feb	69.475	69.550	69.600	69.400
Apr	70.500	70.625	70.650	70.425
Jun	68.100	68.150	68.200	68.025

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.825	48.250	48.200	47.650
Jul	46.150	46.450	46.400	45.875
Aug	43.925	44.150	44.175	43.725
Oct	40.625	40.600	40.600	40.400
Dec	42.900	42.900	42.925	42.700
Feb	43.825	43.850	44.000	43.800
Apr	42.700	42.650	42.800	42.600
Jun	47.250	47.200	47.250	47.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	38.150	37.225	38.150	37.000
Jul	37.375	36.975	37.800	36.500
Aug	35.100	34.775	35.450	34.400
Feb	45.775	45.800	46.100	45.600
Mar	44.700	44.500	45.250	44.700

LONDON STOCK EXCHANGE

Enthusiasm for stocks begins to wane

By Peter John

SIGNS that the London market has peaked for the moment increased yesterday as stock started to wash around without readily finding a home and a number of traders were beginning, with a certain amount of relief, to see the end of the bull run.

Although the FT-SE 100 Index had found some support during the morning, a combination of disappointing government figures, a large sell programme, poor corporate results and a weak Wall Street prompted a slide which ended with the Footsie down 25.8 at 2,694.7, just off the day's low.

News that underlying average earnings for March were up at 7.5 per cent, gave rise to worries that the government's restraining influence on inflation is not so firm as hoped. This gave traders their first chance of the day to do something they had been looking to do all week – namely take profits. On the other hand, the rise in unemployment figures was largely discounted.

The profit-taking was part of a European trend which was particularly evident in France and to a lesser extent in Germany yesterday.

There were signs of nervousness in the gilts market and in the performance of short sterling. This was followed shortly after midday with the sale of between £80m and £100m worth of Footsie stocks in a programme trade which took the wind out of the market.

Account Dealing Dates		
*First Dealings:		
Apr 27	May 11	Jun 1
Option Declarations:		
May 7	May 28	Jun 11
Last Dealings:		
May 8	May 29	Jun 12
Account Day:		
May 18	Jun 8	Jun 22

*New-time dealings may take place from 8.30 am two business days earlier.

After that, there was surprise at the poor first-half performance of Hanson. The results wiped out the impact of good figures from GrandMet and Shell.

Futures traders reacted quickly and led the market, which had been showing a comfortable gain of around 10 points, down towards 2,700. The FT-SE contract for June delivery fell to its estimated fair value premium for the first time since the election.

The fact that turnover remained very high suggested that the market was no longer able to absorb the stock being placed at current high levels. There were 706.9m shares traded yesterday, well above Wednesday's figure of 604.6m when customer retail business reached £1.154bn.

Analysts were beginning to look at the lower than usual dividend yield on the All-Share Index, down to 4.5 per cent with the market at 2,737. They were also examining the level of its price earnings ratio which, said one observer, was the highest it had been for ten years.

One of the more relieved market commentators was Mr Nick Knight of Nomura Research who sees the market going back to 2,500 by the end of the year, and who published research yesterday arguing that the good news following the general election was already in the market.

"The degree of bullish consensus is frightening," he said. "Not only is the economic recovery already in the price but the figures from Hanson show that there is no economic recovery."

With 10 companies reporting figures yesterday, individual stock movements were dominated by results. Guinness was one to suffer, affected by a poor performance from its luxury good subsidiary, but Burton was active on better-than-expected numbers.

Hanson depresses market

LOWER than expected figures from international conglomerate Hanson cast a dark shadow over the London market, helping to send equities in general into retreat.

The group's first-quarter profits, which came in at £488m, down from the corresponding period's £588m, were £2m below the lowest City forecast. Several analysts also took the accompanying trading statement to be downbeat, and brokers moved immediately to cut full-year forecasts by about £100m to around the £1.1bn mark. BZW, however, said it was leaving its current forecast at £1.14bn, though this figure now includes £27m from the recent sale of the ICI stake.

Hanson shares closed 9 down at 232½p after heavy turnover of 15m and further heavy business in the London traded Options Market where the equivalent of more than 6m shares were dealt.

GrandMet pleases

Encouraging half-year results from Grand Metropolitan lifted the stock 7 to 509p in its biggest turnover for 18 months, 9.3m shares. Its core drinks business was the power behind a 7 per cent rise in pre-tax profits to £402m.

Mr Graeme Eadie at County NatWest said: "Stripping out the forex and other variables, the organic growth in the drinks division was 7.1 per cent, which is an outstanding performance." The food and the retail sectors proved slightly disappointing, and analysts were also surprised by the losses at the Pearle optical business in the US.

County is looking for full-year pre-tax profits of £1.015bn, down £35m, and £1.184bn for 1993. Mr Martin Hawkins at Carr Kitcat & Aitken has cut his forecasts to £1.025bn and £1.175bn respectively.

Shell Transport was one of a handful of stocks that bucked the trend as the market was cheered by the group's first-quarter results, which beat the most optimistic expectations.

Analysts, however, pointed out that the figures were greatly enhanced by non-recurring exceptional items. The shares ran forward on the release of the figures and at the day's high point were ahead 21 at 505p. Profit-taking at the high levels, coupled with closer examination of the figures, saw the stock relinquish some of the earlier gain to end a more modest 12 up at 496p after heavy turnover of 11m.

A sizeable amount of the day's business was reported to have come from the traded options market.

Commenting on the figures, Mr John Toalster at Strauss Turnbull said: "The actual underlying trading performance was modest after allowing for a large number of special items. But the shares look attractive compared to those of BP."

Regulation worries, as British Gas reported figures in line with expectations, hurt the shares, which ended 5 lower at 251p on volume of 12m.

The regulation worries in Gas spilled over into the Electricity Package, down £117 at £3138. Profit-taking was also said to have been a factor in the day's fall. The package is due to be unbundled in September.

Anglo-French paper and packaging group Arjo Wiggins tumbled after it announced the chief executive's resignation following differences over future development. The shares fell 18 to 263p.

Kleinwort Benson favours the stock and yesterday issued a buy recommendation saying: "The shares have significant upside and they are a good long term buy."

Among metals and engineers, British Steel shed 2 to 81½ as increasing fears emerged about the size of the dividend cut expected with the company's full-year results next month. A select group of analysts is currently on a company outing to Seville, in Spain.

A positive annual meeting at GKN lifted the shares and they closed 6 up at 372p.

The recent clutch of brokers recommendations continued to benefit British Aerospace and the shares gained 6 to 372p.

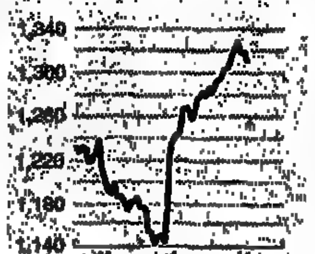
Good interim results from Burton Group pushed the shares 7½ higher to 49½p, the £21.8m pre-tax profits being around £3m ahead of most analysts' forecasts. The retail group also reported a slight pick-up in sales in the past 10 weeks, leading to hopes that the long-awaited consumer recovery was starting to show.

However, some analysts pointed out that sales were bound to see some increase this year after being hit last year by the onset of recession and by the rise in VAT. The level of costs also drew some criticism. New profit forecasts fell in the range of £10m to £15m for 1992 and £18m to £23m for 1993. Burton was the most heavily traded stock yesterday, with 26.6m shares changing hands.

Reflection on results from Marks and Spencer, and talk that its mail order business was holding up, helped Great Universal Stores, the 'A' shares rising 30 to 1588p.

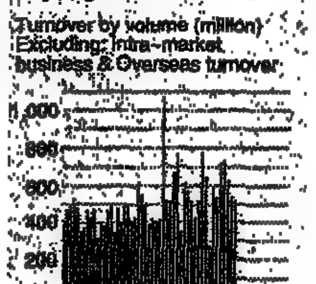
A weak Wall Street hit drugs stocks, Glaxo tumbling 18 to 739p and SmithKline Beecham relinquishing 12 to 871p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Quotron 1992

Catering concern Compass Group jumped 21 to 539p as the market centred on the sale talk surrounding its chief rival Gardner Merchant, a subsidiary of Forte. A management buyout had been rumoured, with a possible listing to follow. Yesterday there was also talk that Compass, in alliance with a US company, may be interested in Gardner, but monopoly implications would seem to rule this out.

BZW reiterated its buy stance on Rank Organisation, off 2 at 758p, and Queens Moat Houses, a penny firmer at 88p. In a lengthy view on the sector, the securities house also remained a seller of Forte, 2 down at 251p, and Ladbroke, where rumours of imminent downgrades refuse to die and which lost 4 to 250p.

A weak property sector was enlivened by news of the proposed merger between Capital & Counties and its majority shareholder, TransAtlantic, a Luxembourg-listed group owned by Liberty Life. The offer values Capital shares, which started the day at 200p, at 233p. After leaping to 228p, they later fell back to close at 205p on consideration of the dilution to shareholders of the all-paper offer.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo.

■ Other market statistics, Page 34.

FINANCIAL TIMES STOCK INDICES

GILT EDGED ACTIVITY

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVE markets were very active yesterday as the Footsie future was traded down to fair value for the first time since the general election, writes Peter John.

The FT-SE contract for June delivery was around 20 points above the underlying market for most of the morning. However, a large programme trade on the sell side in the cash market and poor figures from conglomerate Hanson led to a June was then sold down steadily and hit 2,702 shortly before the official close. That is around the contract's current estimated fair value - the premium that takes into account dividends and carrying costs - of 8 points. The drop of more than 40 points on the day meant that opportunistic buyers were bound to be tempted back. Sure enough, June was squeezed up to close at 2,710 with turnover

In the traded options market, Hanson dominated the stock options with 6,111 lots dealt, as dealers responded to disappointing first-half figures. The May series was being traded in lieu of underlying stock and the August series saw around 2,500 lots dealt. British Aerospace was also popular, with 2,507 contracts traded. On the day, the market saw 36,576 contracts dealt, compared with Wednes-

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Thursday May 14 1992

FIXED INTEREST

NEW HIGHS AND LOWS FOR 1992

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
◆ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e rate based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment.
E Minimum tender price.
F Yield based on prospectus or other offical estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	276.1	276.1	293 9	-0.4	0 76
(Accum Units) ♥	5	325.0	325.0	345 9	-0 5	0 76
British	5	885.3	900.3	952.5	+2 0	5.24
(Accum Units)	5	1484.5	1509.8	1597.3	+3.3	5.24
European	5	340.7	340.7	362.3	+1.3	1.42
[illegible]	5	307.3	369.3	392 7	+1 4	1.42
Japan	5	97.25	97 25	103.5	+0.6	–
(Accum Units)	5	98.03	98.03	104.3	+0.6	–
New Pacific	5	205.7	205.7	219.6	+0.2	1.60
(Accum Units)	5	211.3	211.3	225.5	+0.2	1 60
PEP May 6	5	160.4	162.2	171.6	.....	3.57
Mngd Equity	5	133.1	134 7	142.5	+0.5	2.70
Mngd Equity Acc	5	141 2	142.9	151 2	+0.5	2.70
Mngd Cash	0	96.18	96 18	96.18	[illegible]	[illegible]
(Accum Units)	0	120.8	[illegible]	[illegible]	[illegible]	[illegible]
Majority Stg	1	100 28	[illegible]	101.70	[illegible]	[illegible]
Majority Stg Acc	1	111.21	[illegible]	112.32	[illegible]	[illegible]

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

International Mar 13	6	49.99	49 99	50 46	.....	2.72

Sun Alliance Unit Tst Mngmt Ltd (1200)F
St Mark's Court, Horsham 0403 232323

Equity	6	656 8	656 8	702.5	-7.2	2.76
North America	6	82.20	83.39	89.19	-0 09	0.45
Far East	6	87.14	88.26	94 40	-0 30	0.83
[illegible]	6	46.92	46.92	49 91	-0 06	6.31
European	6	69 20	69.60	74.44	-0.17	1.46
Equity Income	6	73 66	74 59	79.78	+0 11	5 01
Portfolio	6	60 29	60 91	65 14	+0 07	1.32
UK Leading Cos	6	47 00	47.55	50.58	.....	0.00
[illegible] Equity	–	–	–	–	–	–
[illegible] Trusts						
[illegible] Growth	6	47.00	47.00	50 00	.....	2.23

Sun Life of Canada Unit Mgrs Ltd (1000)H

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Apr 30	187.10	192 95	–	8.27
Equity Apr 30	905 98	918.60	.....	3 83

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond May 13	104.82		+0.3	10.29
(Accum Units)	651.57		+2.1	10.29
NAAGIF May 5	42.25		.....	9.16

Morgan Grenfell Investment Funds Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † May 12	141.5	151 6	..	1.78
UK Small Co † May 12	561.1	613.9	.....	3.26
Fixed Interest † May 12	109.9	115.7	..	8 64
US Small Co May 12	161.2	172.5	.....	0.00
Managed May 12	116.0	[illegible]	..	3 44
Intl Bond May 12	119.9	126.5	.....	10.15
Japan May 12	60.90	64 95	..	4.52
European May 12	93.01	99.54	..	1.78
Nth American May 12	116.5	125.3	..	1.27

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American Exempt	54.57	56.76	-0.20	1.69
European Exempt	54.33	56 74	-0.25	2.28
Fixed Int Ex May 13	48.27	49 46	.....	8.74
Japan Exempt	37 10	38.59	-0.29	0 79
Managed Ex May 7	47.50	49.41	–	4.13
SE Asia Exempt	80.72	84.76	-0.03	2.43
Sm Cos Expt May 13	38.44	40.37	.....	3.27
UK Eqty Ex May 13	47.61	49.96	.....	3.58

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's May 7	712.80	799.06	...	4.27
Do Accum	832.15	886.26	.....	4.27
Int Expt May 14	190.87	195.17	+0.91	1.78
UK Index May 7	1248.90	1260 31	.....	4.62
Do Accum	1388.89	1406.08	.....	4 62
Convertible May 11	100.32	103 59	.....	7.81

INSURANCES

Henderson Administration(z)
3 Finsbury Ave, London, EC2 M2PA 071-638 5757

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	332.0	349 0	+1 0	–
Fixed Interest	64.2	68.4	+0.3	–
N. America	265.1	282.1	-4.3	–
Far East	359.6	382.6	+0.4	–
Global Managed	341.9	363.8	-0.4	–
Deposit	206.4	217 9	.....	–
Prime Res	133.4	140.5	.....	–
European	193.7	206.1	.....	–

Life Association of Scotland
113 Dundas St, Edinburgh EH3 5EB 031-550 5000
LAS Investment Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	277.8	291.6	...	–
UK Equity	481.3	506 7	+0 4	–
Property	289.6	304 9		–
Money Market	228 0	240.0	+0.1	–
Fixed Interest	269.8	284 0	+0 6	–
Japan	253.7	267 1	[illegible]	–
North America	123 1	129 6	-0.1	–
International	211.4	222 6	-0.7	–

NEL Britannia Assce Co Ltd – Contd.
Specialist Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Barings Convertible	114.4	120.4	(z)	–
Barings Eastern	120 9	127.3	(z)	–
Barings Equity Income	99 9	105.2	(z)	–
Barings European Growth	108 9	114.6	(z)	–
Barings German Growth	105.5	111 1	(z)	–
Barings Japan Growth	83 6	88 0	(z)	–
Barings UK Smllr Cos	106 8	[illegible]	(z)	–
Fidelity 1992 Euro Opps	102.2	107.6	(z)	–
Fidelity American	117.0	123.2	(z)	–

Continued on next page

FT MANAGED FUNDS SERVICE

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Pearl Assurance (Unit Funds) Ltd
Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or -	Yield Gross
Property Dist. (Gross)	134.4	141.5	----	–
Property Acc. (Gross)	256.2	269.7	+0.9	–
Equity (Gross)	477.6	502.9	+0.7	–
Managed (Gross)	644.5	678.4		–
Property Acc. (Net)	122.4	128.8		–
Equity (Net)	216.0	227.4	+0.2	–
Managed (Net)	197.2	207.5	-0.1	–
International (Net)	168.8	177.7	-0.4	–
Gilt & Fixed Interest	139.8	147.2	+0.6	–
Money Fund	138.7	146.0	----	–
Mixed Fund (Cap)	122.7	129.2	----	–
Mixed Fund (Acc)	126.5	133.2	----	–
Aggressive Managed	96.9	102.0	----	–
Cautious Managed	95.3	100.3	----	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	702.8	739.8	+0.2	–
Ret Man (Series 2)	238.3	[illegible]	----	–
Ret Cash	194.8	205.0	----	–
Pens Mixed Fd (Cap)	137.3	144.6	----	–
Pens Mixed Fd (Acc)	141.6	149.1	----	–
Pens Stip Fd (Cap)	103.1	108.6	----	–
Pens Stip Fd (Acc)	106.3	111.9	----	–

Pegasus Assurance Ltd
Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Aggressive	103.4	108.9	----	–
Managed Balanced	101.9	107.3	----	–
Managed Cautious	113.1	119.1	----	–
Pension Funds				
Managed Aggressive	108.3	114.0	----	–
Managed Balance	106.9	112.6	----	–
Managed Cautious	117.5	123.7	----	–

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd
37–39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	145.0	153.0	----	–
Building Soc. Fd	221.8	233.0	+1.0	–
Balanced	287.0	303.0	----	–
European	211.0	223.0	----	–
GT Managed	191.0	202.0	----	–
Gartmore Mngd	130.8	137.0	----	–
Gartmore	136.0	144.0	----	–
Gilt	185.0	195.0	----	–
Global	40.0	43.0	----	–
International Equity	211.0	223.0	-1.0	–
Japan	176.0	186.0	-1.0	–
Leisure	48.0	51.0	----	–
Managed	52.0	55.0	+1.0	–
[illegible]	291.0	307.0	+2.0	–

Provident Mutual Life Assc. Assn.—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Index Linked Gilt Init.	125.6	132.2	+0.7	–
Overseas Equity Ord.	271.8	286.1	-0.8	–
Overseas Equity Init.	199.2	209.7	-0.5	–
Property Ord.	220.9	232.5	+0.1	–
Property Init.	161.8	170.3		–
Fixed Interest Ord.	226.9	238.8	+0.5	–
Fixed Interest Init.	166.3	175.1	+0.5	–
Deposit Ord.	185.4	195.2		–
Deposit Init.	135.9	143.1	+0.2	–
Pension Funds				
Managed Ord.	478.4	503.6	+0.7	–
Managed Init.	350.5	368.9	+0.4	–
Equity Ord.	756.0	795.8	+2.1	–
Equity Init.	553.9	583.1	+2.3	–
Pen Ind Lkd Gilt Ord.	184.9	194.6	+1.1	–
Pen Ind Lkd Gilt Init.	141.5	148.9	+0.8	–
Overseas Equity Ord.	309.8	325.9	-0.9	–
Overseas Equity Init.	226.4	238.3	-0.8	–
Property Ord.	279.0	291.7	----	–
Property Init.	204.4	215.2	----	–
Fixed Interest Ord.	288.1	303.3	+0.8	–
Fixed Interest Init.	211.1	222.2	+0.5	–
Deposit Ord.	265.4	279.4	+0.1	–
Deposit Init.	194.5	204.7	+0.1	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed May 13	269.9	281.2	----	–

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3381

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary May 13	£194.56	200.61	+0.78	–
Equity May 13	£226.69	234.49	+0.14	–
International May 13	£27.73	28.32	+0.10	–
Intl Bond May 13	£14.27	14.45	-0.06	–
Fixed Int. May 13	£104.45	109.62	+0.54	–
Index Linked May 13	£75.02	75.97	+0.02	–
Property May 13	£109.44	115.48	+0.09	–
Cash May 13	£36.0301	38.4332	+0.1048	–
Pru-Linked Retirement Plan				
Managed May 12	472.9	492.7	----	–
Cash May 12	279.5	291.2	----	–
Prudential Pension Investment Account				
Pens Mngd May 14	189.7	204.1	----	–
Pens UK EQ May 14	343.4	370.2	----	–
Pens Intl May 14	198.7	213.3	----	–
Pens Global Eqty May 14	106.4	112.0	----	–
Pens Fixed May 14	238.0	251.3	----	–
Pens Index Lk May 14	191.7	202.4	----	–
Pens Property May 14	89.5	94.3	----	–
Pens Cash May 14	182.5	192.1	----	–
Money Purchase Plan				
[illegible] May 14	104.7	112.3	+0.2	–

Scottish Amicable

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

Skandia Life Assurance Co Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Standard Life Assurance Company

Reliance Mutual

N Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc. Ltd

Provident Mutual Life Assc. Assn.

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Westrich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

For Life Assurance see Canada Life Plc

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FT MANAGED FUNDS SERVICE

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar unsteady after losses

THE DOLLAR recorded its fourth easier close in a row on European markets yesterday after tumbling to a three month low against the D-Mark in the US overnight, *writes James Blitz.*

After falling to DM1.6090 in Wednesday's North American trading, the US unit closed at DM1.6125 last night in London, nearly a pfennig down on its previous close Once again, dealers said that the market's obsession with another possible cut in the US Fed funds rate had been the main factor undermining the unit. North American traders were anxiously awaiting US money supply data due to be released yesterday afternoon, with fears that another sharp drop in M-2 money supply could force the Federal Reserve to ease credit.

According to Mr Jim O'Neill, head of research at Swiss Bank Corp, the dollar's performance will be by far the most important factor in foreign exchange markets in forthcoming days. He believes that the next important event will be the Fed's open market committee on Tuesday. "If there is no easing of rates by next Wednesday, we should see new support for the dollar," he says. He believes that if the Fed does reduce its rates again, the dollar will go below DM1.60 and test support at DM1.58.

Analysts said that the US currency had also been weighed down by massive selling of D-Marks against Swiss francs. The Swiss currency has traditionally been highly illiquid and dollar bull markets have often been short of Swiss francs. Yesterday however, the "Swissy" was highly popular as traders enthused about the fact that the authorities in Zurich have allowed market interest rates to rise. Suggestions that Switzerland may move closer to the European Monetary System also boosted the currency.

The dollar ended down nearly two centimes against the franc at Sfr1.4775 and the D-Mark eased to DM108.90 per 100 Swiss francs from DM108.40.

Yen trading was quiet yesterday after the dollar's dramatic fall against the Japanese currency on Tuesday to Y130. One trader said that the US unit, whoch closed last night at Y130.30, was now supported by rumours of very good dollar support at Y129.50. A number of large Japanese financial institutions were said to be ready to buy dollars if the market price fell to those levels.

Sterling's movements have appeared to shadow the dollar in the last day-and-a-half. The pound weakened sharply against the D-Mark overnight, dipping to a low of DM2.9260. Like the dollar, it recovered yesterday to close at DM2.9375, a drop of ½ pfennig from its previous close.

A surprisingly strong rise in UK average earnings dashed hopes harboured in some quarters of another cut in interest rates, propping up the British currency.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 14	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.867	-4.40	5.68	75
Spanish Peseta	133.631	128.424	-3.90	5.33	67
Belgian Franc	42.4032	42.3087	-0.22	1.45	15
Dutch Guilder	2.31643	2.31353	-0.13	1.35	11
D-Mark	2.05586	2.05578	0.00	1.23	6
French Franc	6.89509	[illegible]	0.09	1.13	0
Irish Punt	0.767417	0.769541	[illegible]	0.94	-8
Sterling	0.696904	0.699947	0.44	0.78	-10
Italian Lira	1538.24	1547.79	0.62	0.60	-36
Danish Krone	7.84195	7.93783	1.22	0.06	-52

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8190 - 1.8240	1.8215 - 1.8225	0.97-0.95cpm	6.32	2.81-2.78pm	6.14
Canada	2.1870 - 2.1935	2.1880 - 2.1690	0.70-0.66cpm	3.73	1.66-1.60pm	2.98
Netherlands	3.2975 - 3.3125	3.3025 - 3.3125	½-parcpm	0.45	¾-¼pm	0.38
Belgium	[illegible] - 60.55	60.45 - 60.55	5-parcpm	0.90	11-4pm	0.90

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100: Pesets per 100

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
106	-	-	-	-	0.15	0.34
107	-	-	-	0.02	0.28	-
108	0.49	1.21	1.64	0.18	0.57	-
109	0.06	0.66	-	0.64	1.04	-
110	0.01	0.33	-	-	-	-
111	-	0.17	-	-	-	-
Open int.	118,953	[illegible]	11,626	91,746	33,925	14,443

Estimated volume 19,995 Total Open interest 321,125

* Contracts traded on APT. Closing prices shown

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth	3-mth	6-mth	12-mth
1.8220	1.8124	1.7941	1.7695	1.7315

MONEY MARKETS

Rates soften slightly

MONEY MARKET rates softened slightly yesterday after the Bank of England forecast a smaller shortage than had been expected in the discount market. But the market's underlying view remained bearish about a cut in base rates in the near future.

The cost of 1-month and 2-month money softened slightly after the Bank forecast a shortage of only £500m in the morning. As the shortage was easily taken up, 1-month money ended the day at 10⅛ per cent, down from 10$\frac{1}{8}$-$\frac{1}{16}$ per cent the day before.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

2-month money also ended at 10⅛ from a previous close of 10$\frac{3}{32}$ per cent.

One trader said that these reductions were purely technical. He said that the overnight rate had dipped as low as 8½ per cent because of the high liquidity in the system and, as a result, traders were more willing to lend at longer rates.

The market's underlying pessimism about a rate cut was reinforced by poor UK economic figures. These showed that unemployment grew by a bigger than expected 42,600 in April to reach 2,695,300. Average earnings in March also increased by 7.5 per cent, the same as the February figure which was revised up from the original estimate of 7.25%.

There was disappointment at sterling's performance on foreign currency markets with the pound trickling away from its best levels and closing at DM2.9375. Sterling futures reflected those poor figures. The September contract ended the day at 90.24, eight ticks down on the previous close, and implying that base rates in September will be at 9.76 per cent. The December contract ended at 90.49, down ten ticks, and implying that base rate at the end of the year will be 9.51 per cent.

The discount market had a very quiet day. In the morning, the Bank of England forecast a shortage of £550m. The forecast was later revised to a shortage of around £500m. The Bank then purchased £500m of Band-1 Bank bills at 9⅞ per cent. The shortage was later revised to around £600m before taking account of the morning operations. The Bank then purchased £109m of Band-1 bank bills at 9⅞ per cent.

German call money rates eased yesterday to just below 9.60 per cent for the first time in two months after the Bundesbank added liquidity to the market on Wednesday.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 14) 3 months US dollars		6 months US Dollars	
bid 3¾	offer 3⅞	bid 3⅞	offer 4

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6½	One month	3.30	Three year	5.73
Broker loan rate	6	Two month	3.50	Five year	6.60
Fed funds	3⅞	Three month	3.68	Seven year	6.99
Fed funds at intervention	3¾	Six month	3.82	10-year	7.34
		One year	4.09	30-year	7.86
		Two year	5.12		

May 14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.55-9.65	9.70-9.80	9.75-9.80	9.70-9.80	9.70-9.80	9.75
Paris	9⅞-10	9⅞-9⅞	9⅞-10	9⅞-10	9⅞-10	9.60
Zurich	7⅞-8⅛	8⅞-9⅛	-	8⅞-9	-	-
Amsterdam	9.31-9.38	9.47-9.54	-	9.48-9.55	-	-
Tokyo	4⅝-4⅝	4⅝-4⅝	-	-	-	-
Milan	12⅛-12⅜	12⅛-12⅜	-	12⅛-12⅜	-	-
Brussels	9⅛-9⅜	9⅛-9⅜	-	9⅛-9⅜	-	-
Dublin	9⅞-9⅞	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	-

LONDON MONEY RATES

May 14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9⅞	9⅞	10⅛	10⅛	10⅛	10
Inter-bank Bid	3	9⅝	9$\frac{15}{16}$	9$\frac{15}{16}$	9$\frac{15}{16}$	9⅞
Sterling CDs	-	-	10	10$\frac{1}{16}$	9⅞	9$\frac{27}{32}$
Local Authority Deps	9$\frac{13}{16}$	9$\frac{13}{16}$	10$\frac{1}{16}$	10$\frac{1}{16}$	10$\frac{1}{16}$	10
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9⅞	9⅝	-	-	-	-
Company Deposits	-	-	10⅛	10⅛	10⅛	10⅛
Finance House Deposits	-	-	10⅛	10⅛	10	9$\frac{15}{16}$
Treasury Bills (Buy)	-	-	9$\frac{13}{16}$	9⅝	9⅝	-
Bank Bills (Buy)	-	-	9$\frac{13}{16}$	9$\frac{13}{16}$	9⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.70	3.75	3.88	4.32
SDR Linked Dep. Offer	-	-	6⅜	6½	6⅝	6⅝
SDR Linked Dep. Bid	-	-	6¼	6⅜	6½	6½
ECU Linked Dep. Offer	-	-	10⅛	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	10⅛	10⅛	10⅛	10

Treasury Bills (sell): one-month 9$\frac{17}{32}$ per cent; three months 9⅝ per cent; six months 9⅝ per cent. Bank Bills (sell): one-month 9⅝ per cent. Three months 9$\frac{17}{32}$ per cent. Treasury Bills: Average tender rate of discount 9.3907 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30 1992. Agreed rates for period May 26, 1992 to June 23, 1992. Scheme I: 11.75 p.c. Schemes II & III: 11.93 p.c. Reference rate for period April 1, 1992 to April 30, 1992. Scheme IV&V: 10.689 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from May 1, 1992. Bank Deposit Rates for sums at seven days' notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent. Under £100,000 7 per cent from Sept 5, 1992. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10.5
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Royal Bk of Scotland	10
Bank of India	10	Girobank	10	● Smith & Williamson Secs.	10
Bank of Scotland	10	● Guinness Mahon	10	Standard Chartered	10
Banque Belge Ltd	10.5	● Hambros Bank	10	TSB	10
Barclays Bank	10	Hampshire Trust Plc	13.5	Unibank plc	10
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
Brit Bk of Mid East	10	● Hill Samuel	10	Unity Trust Bank Plc	10
● Brown Shipley	10	C. Hoare & Co.	10	Western Trust	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Westpac Bank Corp.	10.5
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

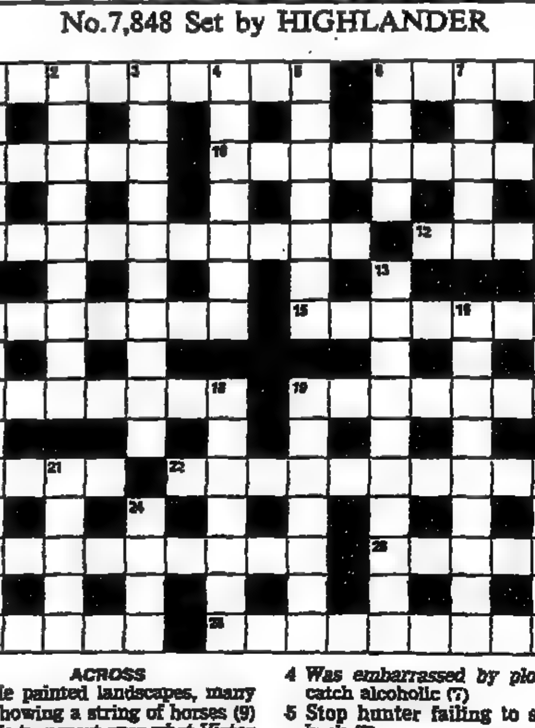
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,848 Set by HIGHLANDER



ACROSS

1 He painted landscapes, many showing a string of horses (9)
6 No transport over what Victor brings home (5)
9 Warning the French to prepare for battle on both flanks (5)
10 Less than 12 inches on the ground (9)
11 Concern with musical instrument reaches peak in Switzerland (10)
12 Stay in the front row, providing thrust (4)
14 Robber band without equipment (7)
15 It boosts one's image in Egypt to travel with expedition (3,4)
17 Gallic version contains nothing that's reasonable (7)
19 Sat back on bed in heart of old Burgundy (4,3)
20 Move boundary gradually to obtain slight advantage (4)
22 Encourage those who start the game with whisks (10)
25 Generally covered by the sea (2,3,4)
26 Special size is among the ones over there (5)
27 More than enough drink to go round major political leaders (5)
28 Put off payment for defensive weaponry (9)

DOWN

1 Church member's appeal about damage (5)
2 Narrow escape from intimate affair (4,5)
3 Strengthen an established church by moderation (10)
4 Was embarrassed by plot to catch alcoholic (7)
5 Stop hunter failing to start back (7)
6 Put up with pain in the neck (4)
7 Singers need several sheets, they say (5)
8 School mounted rag to provide writing material (9)
13 Agreed supplier gets cold working with farm equipment (10)
14 Classical dancer's dance – Ireland has one (9)
16 Glide rope knotted to rod at top of tent (9)
18 Convict has to pull up for straggler (7)
19 Ministers put the case (7)
21 Abandon one's bed and dress (3,2)
23 The way to hold small humbug perhaps (5)
24 Top player is reported to give up (4)

Solution to Puzzle No.7,847

STRESS POTSHERD / RETORT PROPOSER / DARKROOM GREENE / NINE DIVERSE / ANGRIER RENO / TRACES RIGHTING / FRACTION PIRATE / STANDARD STEERS

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

ITALY

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

CANADA

TORONTO

3:00 pm prices May 14

[illegible]

MONTREAL

3:00 pm prices May 14

[illegible]

Total Sales 15,673,300 shares

INDICES

NEW YORK

DOW JONES	May 13	May 12	May 11	May 8	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3391.98	3385.12	3397.58	3369.41	3397.58 (11/5)	3172.41 (2/1)	3397.58 (11/5/92)	41.22 (2/7/32)
Home Bonds	99.93	99.82	99.71	99.54	99.93 (13/5)	98.41 (20/3)	99.93 (13/5/92)	54.99 (1/10/81)
Transport	1405.27	1406.92	1402.28	1399.66	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.95	213.42	213.88	214.01	225.99 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

Day's High 3414.17 (3414.63) Low 3362.93 (3361.33)

STANDARD AND POOR'S

	May 13	May 12	May 11	May 8	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	416.45	416.29	418.49	416.05	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	491.82	492.03	495.32	492.50	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.80	35.54	35.57	35.14	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	229.44	229.45	230.47	229.20	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	393.75	393.46	395.84	394.12	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	582.98	585.96	587.13	585.76	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 6	May 1	Apr 24	year ago (approx.)
Dow Industrial Div. Yield	2.77	2.79	2.80	3.14

	May 8	Apr 29	Apr 22	year ago (approx.)
S & P Industrial div. yield	2.61	2.62	2.63	2.78
S & P Indl. P/E ratio	29.29	28.96	28.80	18.57

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Marion Merrell	5,567,000	32	- ¼
Limited Inc	3,804,900	22⅛	+ ¼
Coca Cola	3,021,300	43¼	+ ⅞
Citicorp	2,117,900	19⅞	+ ⅝
Glaxo	1,910,100	27⅛	- ⅛
BankAmerica	1,645,600	49⅞	+ 1⅛
Eastman Kodak	1,487,000	41⅞	+ 1½
Telefonos	1,396,300	56⅛	- ⅛
IBM	1,388,200	92⅞	- 1⅛
Philip Morris	1,324,800	78⅛	- ⅞

TRADING ACTIVITY

† Volume (Millions)	May 13	May 12	May 11
New York SE	171.610	192.810	155.730
Amex	12.579	1.526	12.035
NASDAQ	171.749	162.342	141.067
NYSE			
Issues Traded	2,257	2,260	2,269
Rises	873	731	1,084
Falls	807	978	640
Unchanged	577	551	545
New Highs	97	92	94
New Lows	12	19	11

CANADA

TORONTO	May 13	May 12	May 11	May 8	1992 HIGH	1992 LOW
Metals & Minerals	3103.71	3089.15	3069.33	2995.50	3238.87 (16/1)	2828.26 (8/4)
Composite	3404.23	3427.89	3427.23	3374.40	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1787.15	1801.88	1795.29	1763.88	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 14	May 13	May 12	May 11	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1679.7	1682.7	1676.8	1662.1	1682.70 (13/5)	1545.30 (9/4)
All Mining (1/1/80)	706.8	708.0	706.7	698.6	727.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	403.79	405.25	406.20	407.62	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	963.47	966.75	968.56	970.65	1099.43 (26/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1215.12	1221.74	1224.86	1225.63	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	338.9	339.05	339.46	340.51	365.29 (15/1)	326.35 (9/4)
FINLAND						
HEX General (28/12/90)	849.7	852.3	864.5	863.2	935.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	551.85	554.40	555.93	554.36	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	2017.00	2053.17	2063.43	2077.49	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	704.05	706.98	706.82	707.92	715.44 (3/3)	643.26 (8/1)
Commerzbank (1/12/53)	1982.3	1990.8	1991.0	1993.90	2026.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1742.26	1749.42	1751.16	1753.03	1764.80 (5/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5746.45	5757.95	5705.93	5632.34	5757.95 (13/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1408.56	1420.60	1430.67	1436.08	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	477.5	482.33	481.60	488.05	551.59 (6/2)	477.50 (14/5)
MIB General (2/1/92)	942.0	952.0	950.0	963.0	1086.00 (5/2)	942.00 (14/5)
JAPAN						
Nikkei (16/5/49)	18804.60	18768.57	18508.53	18608.09	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1396.73	1398.22	1385.81	1388.21	1763.43 (6/1)	1296.19 (9/4)
2nd Section (4/1/68)	2103.79	2085.68	2055.19	2003.61	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	593.03	598.65	603.08	603.97	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS TU Rtn Gen.(End 1983)	306.6	306.2	306.6	306.9	306.90 (11/5)	274.00 (8/1)
CBS All Shr (End 1983)	212.6	212.8	213.3	213.6	213.60 (11/5)	192.40 (8/1)
NORWAY						
Oslo SE Ind (2/1/83)	770.49	771.15	769.31	772.29	772.29 (11/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1337.35	1320.04	(c)	(c)	1337.35 (14/5)	1083.02 (17/2)
SINGAPORE						
SES All-Singapore (2/4/75)	395.47	393.99	393.17	392.52	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1090.04	1070.0	1067.0	1075.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4572.04	4534.0	4529.0	4511.0	4572.00 (14/5)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	587.56	592.29	586.4	587.52	691.48 (8/2)	569.65 (10/4)
SPAIN						
Madrid SE (30/12/85)	261.38	260.82	257.91	259.84	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1001.40	1007.80	1006.40	1014.50	1014.50 (11/5)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	877.3	880.2	879.4	883.4	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	676.9	680.5	679.2	682.3	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4300.60	4326.38	4289.24	4268.17	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangok SET (30/4/75)	727.96	731.27	754.63	774.70	832.39 (7/4)	710.72 (7/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	509.0*	511.3	507.0	507.1	542.10 (7/1)	467.58 (9/4)
Euro Top-100 (26/6/90)	960.21	969.22	968.95	971.92	971.92 (11/5)	870.31 (2/1)

**Saturday May 9: Taiwan Weighted Price: 4428.97, Korea Comp Ex. 594.62.
‡ Subject to official recalculation.
*Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed (u) Unavailable. †Correction.

TOKYO - Most Active Stocks

Thursday 14 May 1992

	Stocks Traded	Closing Prices	Change on day
Japan Metal	10.0m	749	+36
Okamoto Inds	9.4m	1,500	-50
Nippon Mining	7.2m	472	-6
Jpn Storage Batt	6.2m	1,100	+30
Mitsubishi Kakok	5.5m	1,030	+102
Gunze	5.3m	895	+34
Npn Steel Corp	5.1m	310	-3
Toshiba Corp	4.8m	658	+8
Sanyo Elec Co	4.5m	500	+9
Nisshin Steel	4.4m	403	+9

3:00 pm prices May 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	AAR Corp	0.48	3.6	16	296	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	A L Labs A	0.18	0.8	77	128	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	56	AMP Inc	1.52	2.5	25	1808	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	AMR			17	53841	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	ARX			2	40	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	ASA	2.00	4.6	13	1527	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Abbott Lab	1.20	1.8	24	6065	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Acme Cleve	0.40	5.8	29	98	7	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Acme Elect			4	7	5	5	[illegible]	[illegible]
[illegible]	[illegible]	Acuson			14	479	23	[illegible]	[illegible]	[illegible]
[illegible]	30	Ad Micro	3.00	7.4		312	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	5	Advest Grp	0.16	2.4	67	106	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Aetna Lf	2.76	7.0		81265	[illegible]	[illegible]	[illegible]	[illegible]
17	[illegible]	AIll A x	0.24	2.2	11	330	11	[illegible]	[illegible]	[illegible]
[illegible]	24	Aflac x	0.44	1.6	14	487	28	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Ahmanson x	0.88	5.2	7	577	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Aileen Inc			0	137	[illegible]	10	10	[illegible]

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	Bearings x	0.64	3.2	35	72	20	20	20	
[illegible]	[illegible]	Becton Dks	1.20	1.7	15	432	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Belding Hy	0.64	2.2	22	5	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Bell Indus	0.40	3.3	79	168	[illegible]	12	[illegible]	[illegible]
[illegible]	[illegible]	BellSouth	2.76	5.7	15	1372	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Bemis x	0.46	1.8	23	290	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	50	Benef 4.3P	4.30	8.4		2	52	52	[illegible]	[illegible]
[illegible]	[illegible]	Benef	2.60	4.1	10	215	[illegible]	[illegible]	[illegible]	[illegible]
9200	8575	Berksh Hey			31	2100	9100	9100	9100	
[illegible]	[illegible]	Berlitz	0.56	3.2	1	70	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Berry Petr	0.60	5.4	14	38	[illegible]	11	11	
[illegible]	[illegible]	Best Buy			16	653	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	18	Biocraft	0.10	0.5	75	26	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Black & D	0.40	1.6	30	3543	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Block H&R	0.86	2.7	22	583	[illegible]	[illegible]	[illegible]	[illegible]

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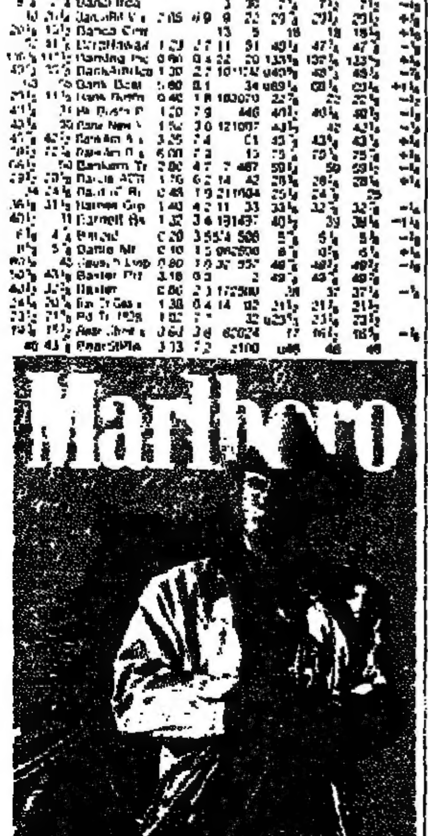

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	16⅞	S Anita Rr	1.72	9.7	16	54	18	17⅝	17⅞	+¼
16⅞	15¼	SCOR US Cp	0.28	1.8	9	80	15¾	15⅝	15⅝	-⅛
29½	24¼	SPS Techno	1.26	4.5	20	z100	28	28	28¼	
1⅜	⅞	SeatchI&S	0.19	15.2		12795	1¼	1¼	1¼	
13¾	12⅛	Sabine Rit x	1.38	10.3	8	37	u13¼	13¼	13¼	
11⅞	9	Safecard	0.15	1.5	9	351	10⅜	10¼	10¼	
16	11⅛	Salag'd Sc			6	7	13¼	13¼	13¼	
30⅞	22⅞	SafetyKln	0.24	1.2	31	531	28¼	27¾	28⅛	+⅜
20⅛	14⅞	Safeway			25	420	15¼	14¾	14¾	-⅜
4⅞	3	SafewayWt8				111	3⅜	3⅛	3⅛	
41⅞	29⅞	StJoePaper	0.20	0.5	41	10	37¾	37½	37½	+⅛
34⅞	30⅛	StJoeL&P	1.72	5.6	12	5	30½	30⅜	30½	
75⅛	65½	St Paul's	2.72	3.9	7	197	70⅛	69½	69⅞	-⅝
8⅛	2⅞	Salant Crp				1	83	5¼	5¼	5¼	

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
70½	58⅝	Tambrands	1.36	2.2	32	678	62¼	61⅛	61½	
15⅞	11	Tandem				192288	13⅝	13⅜	13⅜	
31⅛	24	Tandy Corp	0.60	2.2	12	1692	28⅝	27⅞	27⅞	
13⅛	11⅞	Taurus Mun x	0.88	7.0		21	12⅝	12⅝	12⅝	
41½	36	Teco Energ	1.82	4.8	14	201	38	37⅝	37⅝	
22⅞	16½	Tektronix	0.60	3.1	14	629	19⅞	19⅜	19½	
1⅞	11/16	Telecom Co			2	18	1⅛	1⅛	1⅛	
28⅞	19⅞	Teledyne	0.80	3.6	41	425	22⅛	22	22⅛	
38⅞	28⅞	TeleEspSA	1.44	4.4	6	879	33⅛	32⅝	32⅞	
60	45⅞	Telmex ADR	0.17	0.3		11392	56¼	56	56	
57½	49⅞	Templeinl	0.96	1.9	21	898	50⅞	50½	50¾	
24⅛	21	TemplEmMk	3.90	16.4		68	23⅞	23⅝	23¾	
9⅝	8⅞	TempltGlob	0.84	8.7		107	9⅝	9⅝	9⅝	
9⅝	8⅞	TempltGFd x	0.84	9.1		665	9¼	9¼	9¼	

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82⅛	59½	Xerox	3.00	4.1	18	1151	72⅞	72¼	72½	-⅛
53½	50½	Xerox4.125				z100	53	53	53	
28½	24⅞	Xtra 1.94 x	1.94	7.2		35	27⅛	27	27	-⅛
37	28½	Xtra Corp x	0.80	2.4	12	19	34⅛	33⅞	33⅞	-½
27	25¼	Yankee Egy	1.60	6.0	12	11	26¾	26½	26½	-⅛
1½	½	Zapata			25	149	1¼	1⅛	1⅛	
11⅛	6⅞	ZenithElec			4	464	8⅛	7⅞	8	-⅛
18⅞	14½	Zenith Nat	1.00	5.6	7	294	u18⅜	17⅞	17⅞	-⅛
7⅛	6	Zenix Inc	0.85	12.3		359	6⅞	6¾	6⅞	
13⅛	11½	Zero Corp x	0.40	3.5	16	63	11⅝	d11½	11¼	-¼
38	32⅞	Zurn Ind	0.86	2.8	14	391	32¼	d31½	31⅛	-1⅛
14⅞	12¼	Zweig Fund	1.16	9.0		332	12⅞	d12¾	12⅞	
11	9⅞	Zweig Totl	1.00	9.6		521	10⅝	10⅜	10½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices May 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.36	25	1564	25¼	d23⅞	23⅞	-1½
Pegasus G	0.10	33	1062	12⅝	12	12⅝	+¼
Perini		52	51	14⅝	14¼	14¼	-¼
Per HI&P	0.31	13	11	12¼	12	12	
Fab Inds	0.50	11	6	31	30⅞	30⅞	-⅛
Fina Inc A	3.20	40	5	72⅝	72⅝	72⅝	+½
FstCityBnc	0.10	10	19	7⅛	7¼	7¼	
Fluke (J)	0.48	53	270	32	31¾	31¾	+⅛
Forest La		28	1900	32½	31¾	32	-⅞
Frequency		7	10	4	d4	4⅛	
Fr ofLoom		19	1224	35⅛	34¾	35⅛	
FstAust	1.08		133	u9⅞	9⅝	9⅞	+⅛
Gent FdA x	0.68	13	467	20¼	d19¾	20¼	+⅛
Glatfltr x	0.70	17	578	28⅛	d27⅝	27⅞	+⅛
Goldfield		2	104				+⅛
Greenman		7	13	6⅛	5⅛	5⅛	-⅛
Gulf Cda	0.34	13	751	6¼	6½	6⅝	
Hasbro	0.20	26	1686	27	26½	26⅞	-⅛
Health Ch		13	41	2⅝	2⅜	2⅜	-⅛
Magna Cop B		7	676	6	5⅞	5⅞	
Media A	0.44	7	109	17⅞	17⅞	17⅞	
Mem Co		349	4	7	d7	7	
Mtchl En	0.40	17	440	16¼	16	16⅛	+¼
Moog A		7	116	5⅞	5⅜	5⅞	
Nabors		12	938	6⅛	5⅞	6	
NY TimesA	0.56	32	1327	29⅝	28⅞	28⅞	-⅞
Odetics A		39	66	5½	5⅜	5½	
Olsten x	0.24	30	31	30⅝	30½	30½	-⅛
OMI Corp	0.14	7	76	6¾	6½	6⅝	
UtdFoodsA		4	4	1⅛	1⅛	1⅛	
UtdFoodsB		6	60	2	2	2	
UnivPtnts		79	31	12	11⅞	11⅞	
US Cellul		66	85	20½	d20⅜	20½	
Vivigen		37	19	16⅞	16½	16⅛	
Westamer	0.52	10	11	u21⅞	21⅞	21⅞	
WIRET	1.12	14	43	13⅛	13	13	
Worthen		9	8	20⅜	20¼	20⅜	
Xytronix		16	38	12⅝	12	12½	

NASDAQ NATIONAL MARKET

3:00 pm prices May 14

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Westmark		27	2140	55½	54¼	54⅝	-⅞
WstnCos	0.32	10	47	17½	16¾	16⅞	
Wst SealA		35	750	13⅛	11¾	12½	
Wetterau	0.88	11	637	24⅞	23½	24	-¼
Wicat Sys		87	624	4	4	4⅛	
Willmette	1.68	28	660	73½	72¾	73	+¼
WmsSonoma		82	5	12¼	d11½	11½	
Wiser Oil	0.40	57	58	16⅛	15⅝	16⅛	+½
Wolohan L	0.28	14	3	20½	19¾	19⅞	
Wolv Expl		0	120				
Worthington	0.48	25	450	24⅛	23⅞	23½	-¼
WPP Group	1.11	1	5692	2⅛	2	2	
Wyman-Gdn	0.40	3	104	4½	4¼	4¼	-⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		28	1144	26½	25¼	25¼	-⅞
Xoma Corp		9	2098	17	16¼	16¼	-⅝
Yellow Fr	0.94	25	785	32	31⅛	31⅝	-⅛
York Rsch		53	1756	6⅛	6	6⅛	-⅛
ZionsUtah	1.44	10	14	52¼	50½	51	+½

FINANCIAL TIMES Friday May 15 1992

AMERICA

Dow in morning fall as investors cash in

Wall Street

PROFIT-TAKING in the wake of recent gains sent US share prices tumbling yesterday morning, writes Patrick Harverson in New York.

By 1 pm the Dow Jones Industrial Average was down 31.80 at 3360.18. The more broadly based Standard & Poor's 500 was also lower at midsession, down 4.43 at 412.02, while the Nasdaq composite index of over-the-counter stocks slipped 6.96 to 575.42.

Turnover on the NYSE was 115m shares by 1 pm, and declines outpaced rises by a ratio of almost three to one.

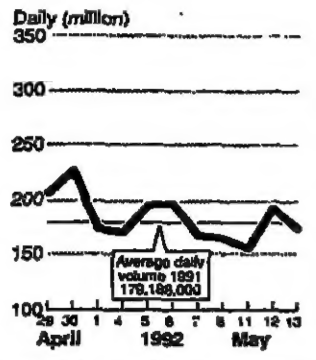
There has been growing concern this week that recent gains may have been overdone, and analysts have cautioned that the failure of broader indices to match the Dow's advance is a warning that a correction might be imminent.

The day's only economic news, a 10,000 rise in weekly jobless claims, also unsettled investors who have been waiting a long time for the labour market to show signs of a sustainable recovery.

Among individual issues, Advanced Micro Devices dropped $2 to $15⅛ in heavy trading after its main rival in the microprocessor business, Intel, said that it would cut prices on an advanced micro chip in the third quarter. Intel, quoted on the Nasdaq, fell $3½ to $47¾.

The clothing retailer, Gap, fell $4¼ to $36⅝ in turnover of more than 2m shares after it reported first quarter net income of 32 cents a share, up from 29 cents a share a year ago. The figures were slightly below the median of analysts' forecasts.

NYSE volume



In the same sector, Lands' End jumped $2¾ to $34¼ on news of an 187 per cent improvement in first quarter profits to 23 cents a share.

Cray Research tumbled $5⅝ to $32⅜ after the company warned late on Wednesday that it expected 1992 earnings to come in somewhere between 10 per cent and 20 per cent below those achieved in 1991.

Trading in the stock had been halted pending the news, and yesterday morning was the first opportunity for investors to respond.

On the over-the-counter market, Adolph Coors rose $1¼ to $20¼ after the group announced a planned demerger of its non-brewing businesses, which include ceramics, aluminium and packaging units.

New York Bancorp rose $1½ to $18¾ in the wake of a big rise in fiscal second quarter earnings to $1.46 a share. Also firmer in the banking sector were State Street, up $⅛ at $33⅞ and Northern Trust, $⅝ higher at $58¾, both buoyed by a ratings upgrade from Alex Brown, the Baltimore-based securities house.

Canada

TORONTO stocks remained stuck near the day's lows at midday after a sharp opening drop. The TSE 300 composite index lost 20.7 at 3,383.5. Declines led advances by 242 to 206 in volume of 18.2m shares valued at C$213.7m.

Traders said that sentiment was affected by a New York Times report on Olympia & York's troubles and how they would hurt the Canadian market. Among active issues, International Corona firmed 20 cents to C$4.95.

Pacific Rim telecom stocks find international support

John Pitt says that $10bn of new equity is expected

Telecommunications in the Pacific Basin are being unplugged from state control. As privatisation of utilities gathers pace, high growth rates are being forecast for the companies, and international investors have been showing increasing interest in the sector.

Privatisations are expected in Singapore, Korea, Pakistan and Thailand in the next few years with, according to a recent report by Salomon Brothers, the US-based brokers, some $10bn of new equity coming on to the market over the next three years.

Meanwhile, New Zealand has had the most recent experience of liberalisation. Telecom, the former state-owned utility, was privatised last July; since then, cost-cutting has allowed it to report a 20 per cent increase in net profits for the first nine months to February.

The cost-cutting was initiated by Mr Peter Troughton, its former managing director, who announced his sudden resignation in mid-February. There was speculation that his decision to quit came after disagreement with leading shareholders Bell Atlantic and Ameritech of the US – each of which holds a 37 per cent stake – over handling of a price-cutting battle with competitor Clear Communications.

Salomon says there is still room for further economies in costs, as well as renewed marketing initiatives to improve call volume.

Together with BZW, the UK broker, it still rates the stock as a buy in spite of its recent disappointing market performance. BZW notes that the company should deliver long term earnings per share growth of just over 10 per cent.

The Philippines, which liberalised telecoms six years ago, is dominated by Philippines Long Distance Telephone (PLDT). Listed in both Manila and New York, PLDT reported a 49 per cent jump in net profits for 1991, while EPS rose to 98.90 pesos from 64.56 pesos. Listed in New York, its share price movement in Manila is strongly influenced by its US performance earlier on any given day.

According to Salomon, the potential for market growth in the Philippines is enormous, given that at present there are only just under two lines per 100 people, compared with over 40 in Hong Kong and New Zealand. Restraints to growth for PLDT, however, include the company's high gearing, estimated at 120 per cent in 1991, and the country's historic political instability.

Economic growth in Malaysia, coupled with tight monetary policy, has already given a spur to institutional investment in the country. Telekom Malaysia, in which foreign investors hold 7 per cent of the equity, is felt by analysts to have excellent growth potential as the demand for improved services continues. The group recently reported a 45 per cent increase in pre-tax operating profit for 1991, helped by a 14 per cent rise in subscribers.

Kim Eng Securities, the Singapore-based broker, notes that in spite of the expiry of Telekom's five-year tax-exempt status at the end of last year, which will cause a dip in 1992 earnings, long-term prospects remain good. Salomon is forecasting long-term dividend growth of some 12 per cent.

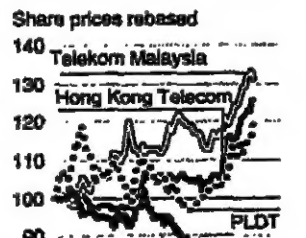
Hong Kong is currently reviewing its telecommunications policy and assessing whether the territory, which reverts to Chinese control in 1997, needs a second operator. The domestic monopoly held by Hong Kong Telecom ends in three years.

Hoare Govett argues that this review will have little effect on Hong Kong Telecom, in which Cable and Wireless, of the UK, is the major shareholder, since the group already has "a high penetration in the domestic market and will retain its more lucrative international franchise until 2006".

However, along with a higher tax charge which will depress profits in 1992, this has made some analysts cautious about short term potential, leading to a number of "hold" recommendations being issued on the stock.

Asia Pacific Telecoms

Share prices rebased



Source: Datastream

EUROPE

Paris leads retreat on US weakness

WALL STREET's weakness affected most late-closing markets yesterday, while some of the early closers had problems of their own, *writes Our Markets Staff.*

PARIS, after opening weaker, lost further ground in the afternoon session. Apart from the Wall Street influence, disappointing first quarter results from LVMH and Elf prompted heavy selling. The CAC-40 index closed down 36.17 or 1.7 per cent at 2,017.00 in turnover of FFr3.2bn.

LVMH slipped quickly to an intraday low of FFr3,901 before recovering to close down FFr235 or 5.5 per cent at FFr4,030. Turnover was estimated at a heavy FFr627m. A sell note issued by US brokers Goldman Sachs also affected sentiment. LVMH units Au Bon Marché and Christian Dior fell FFr31 and FFr14 respectively to FFr721 and FFr336.

Elf, which upset the market with a 25 per cent decline in first quarter operating profits, shed FFr10.80 to FFr379.20. Total eased FFr3.20 to FFr266.

FT-SE Eurotrack 100 - May 14							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1186.67	1186.99	1187.32	1186.05	1185.20	1184.12	1181.45	1179.96
Day's High 1187.40				Day's Low 1179.51			

May 13	May 12	May 11	May 8	May 7
1187.91	1188.40	1191.63	1186.95†	1182.52

Base value 1000 (26/10/90). † Partial.

Elsewhere Saint-Gobain lost FFr16 to FFr579 and L'Oreal fell FFr15 to FFr884. One of the few bright spots of the day was Pechiney International which put on FFr6.30 to FFr208 after falls earlier in the week.

AMSTERDAM slipped back in spite of a strong performance by Royal Dutch on its positive first quarter earnings. The CBS Tendency index closed down 1.4 at 128.8 on selling ahead of today's expiry of May options and futures contracts.

Royal Dutch rose to an intraday high of Fl 154.50 before easing to close up Fl 2.70 or 1.8 per cent at Fl152.70.

Profit-taking was noted in a number of issues following recent gains, including publishers VNU, down Fl 1.30 to Fl 88.70 and Elsevier, down Fl 2.10 to Fl 114.

FRANKFURT lost more ground, the DAX index closing 7.16 lower at 1,742.26 after a drop of 2.93 to 704.05 in the FAZ at midsession. Turnover fell from DM6bn to DM5.7bn.

Mr Jens Wiecking of Merck Finck in Düsseldorf observed that the apparent stability of German equities in the past month, in the face of bad domestic news, had come at a time when international investors had been putting money into the UK, France and Switzerland. "In relative terms, the German markets have been weak," he said.

Lufthansa, which has passed its dividend, fell another DM3.20 to DM147.20 and Kugelfischer, the engineer which made a deep dividend cut after hours on Wednesday, dropped DM10.90 to DM254.

Carmakers fell again, Volkswagen leading the way down with a drop of DM5.40 to DM385.60. Apart from the looming metalworkers' strike, the sector continued to be a target for profit-taking, and reaction to the weakness in the US dollar.

MILAN saw weakness in Fiat, Generali and a range of other blue chips on business pessimism, and the political hiatus in Italy, and the Comit index fell another 4.83 to another new 1992 low of 477.50.

Fiat fell ahead of today's 1991 results losing L89 to close at L4,941, and dropping again to L4,860 in the post bourse. Generali fell L460 to L27,800 and Credito Italiano by L44 to L1,706 in a weak banking sector.

ZURICH gave up early gains to close with the SMI index 8.5 down at 1,944.8. Insurers' fortunes varied. Zurich certificates topped the active list but fell SFr90 to SFr2,030 on Wednesday's rights issue; Baloise certificates gained SFr50 to SFr2,300 on capital restructuring hopes.

BRUSSELS followed other bourses lower with the Bel-20 index ending down 6.62 at 1,215.12 in turnover of BFr723m.

Petrofina shed BFr25 to BFr11,450 while Banque Bruxelles Lambert, which said that Groupe Bruxelles Lambert, its main shareholder, may sell part of of its stake, lost BFr50 to BFr3,500.

MADRID may have been in festive mood, ahead of today's holiday and chose to maintain its equilibrium in spite of Wall Street and a rise of 0.5 percentage points in Spain's core inflation rate. The general index closed 0.56 higher at 261.38.

ASIA PACIFIC

Profit-taking restricts Nikkei to modest rise

Tokyo

PROFIT-TAKING eroded initial gains yesterday, but the Nikkei average closed marginally higher after further strength in the yen had earlier pushed the index up to the 19,000 level for the first time since March 31, *writes Emiko Terazono in Tokyo.*

The 225-issue average gained a net 36.03 at 18,804.60. After a day's low of 18,804.09 recorded immediately after the opening, the Nikkei jumped on active buying by foreign investors, which prompted dealers and investment trusts to follow suit. The index briefly rose as high as 19,003.61, but profit-taking and arbitrage-linked selling then took their toll.

Volume increased to 450m shares from 394m, with institutional investors remaining on the selling side.

Declines outnumbered advances at the finish by 501 to 484, with 155 issues unchanged, while the Topix index of all first section stocks lost 1.49 to 1,396.73. In London the ISE/Nikkei 50 index eased 0.60 to 1,114.07.

Some analysts said the downside risk for share prices had subsided. Mr Alan Bell of Baring Securities said fears of a market "melt-down" were now non-existent. He added that the market faces some volatility during the next few months, due to companies' profit announcements, but that it should post a rally after mid-August.

Rises in the second section and over-the-counter market added to the positive mood. The previous declines of smaller company stocks have been steeper than those of the major section stocks, with the former perceived to be more vulnerable to a downturn in the economy.

The second section index rose 18.11 to 2,103.79 and the OTC index gained 22.84 to 1,708.62. Traders said the advances reflected an improvement in the earnings outlook for companies in the second section and over-the-counter market.

Short-term speculative trading by dealers led activity. Japan Metals & Chemicals was the most active issue of the day, climbing Y38 to Y749, while Okamoto Industries, the condom maker, retreated Y50 to Y1,500 on profit-taking.

Export-oriented, high technology issues lost ground in reaction to the higher yen. Hitachi slipped Y8 to Y831, Matsushita Electric Industrial dipped Y10 to Y1,380 and Sony shed Y60 to Y4,370.

Housing shares were higher on favourable earnings results for the year to March 1992. Daiwa House Industry registered an advance of Y30 to Y1,670. The company posted a 1.3 per cent rise in pre-tax profits to Y90.5bn on a 9.9 per cent increase in sales to Y881.9bn. National House Industrial moved forward Y20 to Y1,750.

In Osaka, the OSE average finished 81.73 ahead at 21,428.63 in volume of 23.6m shares.

Roundup

A NUMBER of other markets in the region were also affected by profit-taking, although enthusiasm for New Zealand was not to be denied.

NEW ZEALAND tested its peak for the year as the NZSE-40 Index added 20.64, or 1.4 per cent, at 1,529.79, after gains of 2 and 1 per cent respectively on Tuesday and Wednesday.

This was its highest close since January 6, on fresh buying orders from foreign investors encouraged by falling domestic interest rates, a weak New Zealand dollar and growing optimism that the depressed local economy is starting to recover.

Forestry issues again claimed most attention: Carter Holt rose 10 cents to NZ$2.68.

HONG KONG took a breather after three consecutive record highs, the Hang Seng index closing 11.50 down at 5,746.46 in turnover up from HK$3.99bn to HK$4.53bn.

Afternoon profit-taking wiped out sharp early gains which had carried the index through the psychologically important 5,800 barrier.

MANILA saw turnover rise from 218m pesos to 370m, but profit-taking in the last hour of trading left the composite index only 9.31 higher at 1,337.35 following Wednesday's 93-point surge and a gain of 41.70 in the first hour. Philippine Long Distance Telephone added 45 pesos at 1,065 after a good overnight performance in the US. Philippine National Bank lost 5 pesos to 307.50 after the resignation of its president on Wednesday.

BANGKOK declined for the third day in a row, with investors worried about opposition calls for a big rally against Prime Minister Suchinda Kraprayoon this weekend. The SET index lost 3.31 to 727.96 in thin turnover of Bt2.49bn.

AUSTRALIA was led lower by a weaker futures market. The All Ordinaries index finished 2.9 easier at 1,679.8 in turnover of A$317m.

Foster's Brewing gained 6 cents to A$1.86 ahead of tomorrow's refinancing deadline.

TAIWAN weakened on fears that the strong Taiwan dollar would depress export industries. The weighted index lost 25.78 to 4,300.60 in turnover of T$20.8bn.

BOMBAY drifted lower, the BSE index closing 36.65 down at 3,394.48.

SINGAPORE gained ground on expectations of an increase in first-quarter GDP. The Straits Times Industrial index rose 11.23 to 1,472.75. KUALA LUMPUR's composite index receded 5.63 to 593.03 in turnover of M$73.3m.

SEOUL fell on heavy institutional selling, the composite index ending 4.73 off at 587.56.

SOUTH AFRICA

JOHANNESBURG's industrial index closed at a record high, up 38 at 4,572, on buying of blue chip stocks. The overall index advanced 34 to 3,676 while the gold index rose 20 to 1,090. SA Breweries gained R1.25 to R56.75.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 13 1992								TUESDAY MAY 12 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	151.26	+0.5	123.66	124.54	127.56	133.60	+0.2	4.12	150.46	123.07	124.06	126.84	133.29	153.68	140.94	144.18
Austria (19)	165.91	+0.4	135.64	136.60	139.91	139.86	−0.1	2.09	165.32	135.23	136.32	139.37	140.05	186.70	162.48	204.08
Belgium (46)	143.08	−0.4	116.98	117.80	120.66	117.68	−0.7	5.17	143.60	117.46	118.40	121.05	118.46	145.19	135.87	139.83
Canada (115)	127.42	−0.2	104.17	104.90	107.44	111.13	−0.4	3.31	127.68	104.44	105.27	107.62	111.59	142.12	125.60	136.43
Denmark (35)	241.00	+0.3	197.03	198.43	203.23	205.36	−0.1	1.78	240.35	196.60	198.20	202.62	205.62	273.94	226.81	242.01
Finland (15)	81.90	−0.5	66.96	67.44	69.07	75.57	−1.2	1.91	82.35	67.36	67.91	69.42	76.46	89.80	73.64	116.35
France (105)	166.29	−0.5	135.94	136.90	140.21	142.03	−0.4	3.32	167.06	136.65	137.75	140.82	142.62	167.06	148.08	138.36
Germany (65)	120.78	+0.0	98.74	99.45	101.85	101.65	+0.0	2.28	120.79	98.80	99.62	101.82	101.82	122.84	114.67	110.69
Hong Kong (55)	238.70	+1.1	195.15	196.53	201.30	237.16	+1.0	3.44	236.10	193.12	194.68	199.04	234.75	238.71	176.36	156.06
Ireland (16)	163.14	−0.1	133.37	134.32	137.57	139.48	−0.3	3.57	163.28	133.56	134.64	137.64	139.90	173.71	151.78	156.03
Italy (78)	69.32	+0.3	56.67	57.07	58.45	63.21	+0.4	3.64	69.11	56.53	56.99	58.26	62.99	80.86	66.92	78.31
Japan (470)	105.49	+1.1	86.24	86.86	88.97	86.86	+1.0	0.98	104.33	85.34	86.03	87.97	86.03	140.95	88.70	138.69
Malaysia (69)	240.14	−0.7	196.32	197.70	202.50	233.16	−0.6	2.78	241.74	197.74	199.33	203.78	234.47	250.18	212.49	227.53
Mexico (18)	1639.77	+0.2	1340.58	1350.07	1382.77	5534.48	+0.1	1.03	1636.43	1338.57	1349.39	1379.54	5530.38	1789.77	1376.91	895.27
Netherland (25)	158.43	−0.3	129.52	130.44	133.60	132.00	−0.3	4.23	158.88	129.96	131.01	133.94	132.37	158.88	147.88	140.56
New Zealand (14)	45.64	+1.6	37.31	37.58	38.49	45.42	+1.3	5.63	44.90	36.73	37.03	37.85	44.84	48.52	42.01	51.88
Norway (23)	189.05	+0.7	154.55	155.65	159.43	161.98	+0.1	1.57	187.65	153.49	154.74	158.20	161.86	192.95	161.26	207.68
Singapore (38)	214.76	+0.5	175.57	176.82	181.10	162.11	+0.1	2.01	213.71	174.81	176.23	180.16	162.01	226.49	192.78	202.29
South Africa (81)	245.96	+2.0	201.08	202.50	207.41	183.62	−0.2	2.74	241.25	197.33	198.93	203.37	183.43	263.80	203.16	210.73
Spain (50)	158.52	+1.2	129.60	130.52	133.68	121.65	+1.1	4.39	156.70	128.18	129.22	132.10	120.37	160.47	146.86	164.11
Sweden (25)	196.12	+1.0	160.33	161.49	165.39	169.41	+0.8	2.67	194.22	158.87	160.16	163.74	168.13	196.12	173.09	178.59
Switzerland (59)	106.18	+0.6	86.80	87.42	89.56	98.41	+0.0	2.17	105.49	86.29	86.99	88.94	98.36	106.19	95.99	93.89
United Kingdom (228)	198.57	+0.0	162.34	163.48	167.44	162.34	+0.0	4.57	198.53	162.40	163.70	167.35	162.40	198.57	165.85	172.64
USA (522)	169.78	+0.0	138.80	139.79	143.18	169.78	+0.0	2.94	169.76	138.86	139.99	143.12	169.76	171.66	160.92	149.19
Europe (789)	155.05	+0.0	126.76	127.66	130.75	129.59	+0.5	3.80	154.97	126.76	127.79	130.65	129.62	156.06	139.31	139.88
Nordic (98)	182.59	+0.6	149.27	150.33	153.97	151.15	+0.2	2.14	181.49	148.45	149.65	153.00	150.78	188.52	169.66	179.61
Pacific Basin (717)	111.40	+1.0	91.08	91.73	93.95	92.59	+0.9	1.35	110.25	90.18	90.91	92.94	91.77	141.97	94.40	139.14
Euro - Pacific (1506)	129.08	+0.6	105.53	106.27	108.85	107.92	+0.4	2.52	128.36	104.99	105.83	108.20	107.43	145.21	113.80	139.79
North America (637)	167.12	+0.0	136.63	137.61	140.95	165.79	+0.0	2.96	167.12	136.70	137.82	140.91	165.80	169.69	158.70	148.32
Europe Ex. UK (561)	129.32	+0.1	105.73	106.50	109.08	110.74	+0.0	3.19	129.23	105.71	106.59	108.97	110.77	129.79	121.81	119.92
Pacific Ex. Japan (244)	169.66	+0.7	138.70	139.70	143.08	151.31	+0.5	3.59	168.54	137.86	139.00	142.10	150.58	169.66	149.00	143.40
World Ex. US (1700)	131.30	+0.6	107.34	108.11	110.73	110.15	+0.4	2.53	130.56	106.79	107.66	110.07	109.70	146.91	118.45	140.88
World Ex. UK (1994)	138.08	+0.4	112.88	113.69	116.45	125.13	+0.3	2.45	137.54	112.51	113.42	115.96	124.77	150.58	127.21	139.89
World Ex. So. Af. (2161)	142.61	+0.3	116.59	117.43	120.27	128.10	+0.3	2.70	142.15	116.28	117.23	119.84	127.78	153.05	130.04	142.19
World Ex. Japan (1749)	164.54	+0.1	134.52	135.49	138.76	152.57	+0.0	3.27	164.39	134.47	135.57	138.61	152.54	164.54	159.20	146.05
The World Index (2222)	143.29	+0.3	117.14	117.98	120.84	128.60	+0.3	2.70	142.79	116.80	117.75	120.39	128.28	153.70	130.68	142.61

Latest prices were unavailable for this edition.